alliancetrust

Alliance Trust PLC

Report & Accounts

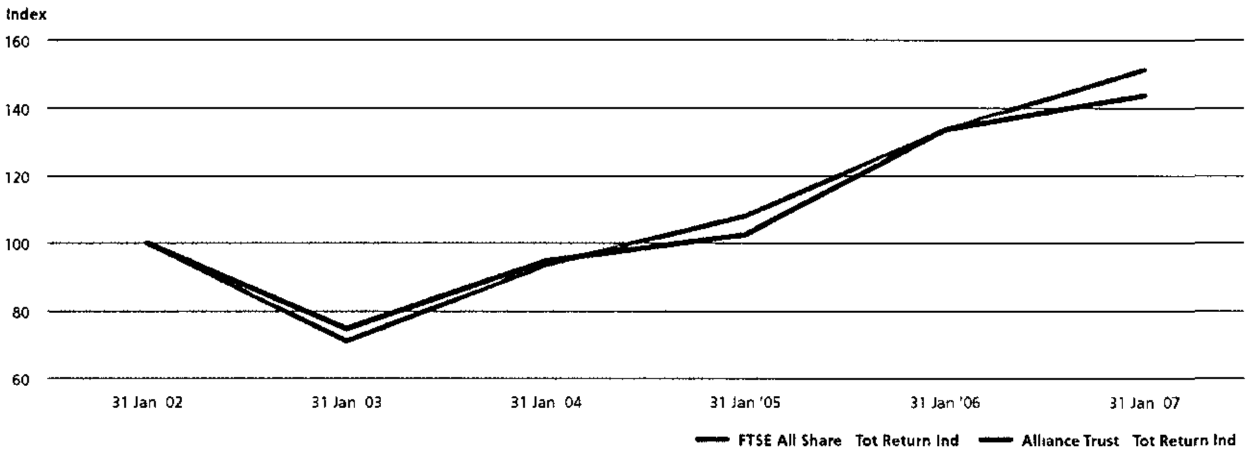
Reg No 1731

For the year ended 31 January 2007

ERRATUM

An error has been identified in relation to the graph headed "TSR Performance" set out on page 50 of the Report and Accounts of Alliance Trust PLC for the year ended 31 January 2007 The colours of the key to the graph were erroneously reversed

The correct graph is set out below



Investing for generations

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 a long term store of increasing value

We allocate our capital across a broad range of asset classes to enhance and preserve total returns and to provide shareholders with real growth over the medium to long term We can use investment techniques such as gearing and hedging to enhance returns and reduce risks within our portfolio We do not benchmark against any equity index as we retain the freedom to move not only between equity markets as opportunities arise but also to invest in other asset classes

We pursue our objective by

- investing in both quoted and unquoted equities across the globe in different sectors and industries,
- investing internationally in preference shares and in debt securities including government and corporate bonds,
- investing in other assets, including property, cash and other financial instruments and investment vehicles,
- retaining the ability to borrow, from time to time, and thereby to gear our portfolio, and
- investing in subsidiary and associated businesses which allows us to expand into other related activities with the objective of enhancing shareholder value

Contents

Company financial highlights

Net Asset Value per share of **£4.22** against £4 04 last year

Capital Growth of **£142.2m** against £395 5m in previous year

Total Shareholder Return of **7.5%**

Dividend for the year increased for 40th consecutive year to **7.575p** against 7 35p in 2006

Financial Summary

One year analysis

	PER ORDINARY SHARE		
	31 January 2007	**31 January 2006**	**Change**
Dividend for the year	7 575p	7 35p	3 1%
Net asset value	421 5p	404 2p	4 3%
Share price A	365 5p	349 0p	4 7%
Return			
Earnings	8 66p	8 70p	
Capital	23 47p	78 47p	
Total	32 13p	87 17p	
Discount B	13 29%	13 66%	
Expense ratio C	0 35%	0 32%	
Pro Forma expense ratio D	0 38%		

One and ten year analysis

	1 year absolute	**10 years absolute**	**10 years compound**
Returns			
Total shareholder return E	**7 5%**	109 6%	7 7%
Growth			
Earnings	**(0 4%)**	47 8%	4 0%
Dividend	**3 1%**	36 5%	3 2%
Net asset value	**39 0%**	56 7%	4 6%

Notes

A Source Datastream

B Discount at which share price stands relative to the net assets of the Company

C Total administrative expenses divided by year end net asset value

D Proforma expense ratio is calculated by taking the total administrative expenditure of the Company and the Second Alliance Trust for the year to 31 January 2007

E The theoretical growth in value over one and ten years assuming that gross dividends are fully reinvested and ignoring re investment charges

The 2007 figures include the post merger contribution from the former Second Alliance Trust

The 2006 comparative figures have not been restated and therefore exclude any contribution from the former Second Alliance Trust

Comparative earnings NAV and dividends per share have been restated to reflect the 10 for 1 subdivision of the Company s ordinary shares

Chairman's statement

This is the first annual report following our merger with the Second Alliance Trust The merger was the natural outcome of a working arrangement put in place decades ago by our predecessors It took an enormous amount of time and effort during the first half of the year but we are already seeing the benefits of the simpler structure

Over the past year, on a total return basis, your Company's shares returned 7 5%, the share price increased 4 7% and with the benefit of the merger with the Second Alliance Trust the net asset value increased by 39%

In March the Directors declared a third interim dividend of 1 95p per share This will be the last dividend payable for the financial year ending 31 January 2007 and, taken together with previous interim dividends, makes a total for the year of 7 575p per share, an increase of 0 225p This is the 40th consecutive increase in the annual dividend

Past year and outlook

One of the key differences of the Alliance Trust is that we employ our own staff to manage your assets We are seeking to make the most of their talents and expertise by creating additional specialist funds and this year we launched two funds managed by our team in Hong Kong Developing these funds will benefit shareholders by spreading the costs of management over a wider pool of assets and also by generating additional income in the form of fees which will benefit the Trust

Another difference is the wide range of asset classes in which we can and do invest Having the freedom to move into different investment areas enables us to manage the risks and rewards of our investment in order that we best achieve our objective Over the year we have continued to invest in areas outside of listed equity such as private equity, property and our financial services subsidiaries

During the year the Trust has added to its core investment skills with the acquisition of the private equity firm Albany Ventures Its executive directors have been known to us for many years and the Trust was already an investor in one of its funds We believe that having our own skills in private equity, whether we choose to invest directly, with others or through funds, will be an important contributor to performance over the coming years

We have also increased our direct investment in property with the purchase of several commercial properties We continue to invest with care given current valuations

Despite views that the world was at a dangerous crossroads, from both a political and economic standpoint, markets continued to rise Several factors are behind this including the pressure of increased savings in Asian and energy producing countries, strong corporate cash flows driving market activity, cheap finance, M&A activity by private equity firms and the resilience of the US consumer Against this background, our stance has been more risk averse than that of some others and we reduced our exposure to equity markets and maintained a cash holding This has impacted on our performance relative to our peers who were more positive in their outlook and geared their portfolios thereby benefiting from the markets' continued rise

We continue to be cautious about the coming year as the risks of higher interest rates, a sharper than expected slowdown in the US and increased geopolitical instability have not lessened In the early months, however, these are likely to be balanced by continued M&A activity

We recognise the importance to shareholders of receiving a real return on their investment and we are aligning our investment approach to achieve an increase in the value of our shares in excess of inflation each year Going forward we will measure our performance against the UK Retail Prices Index

We have continued to invest in our staff by broadening our skill base over this year but maintain a prudent approach to costs and, as explained, look to find ways of spreading those costs to the benefit of our shareholders

Alliance Trust Savings Group

In the past 12 months the Alliance Trust Savings Group has increased the number of its customers which now stands at over 44,000, has put in place a new IT infrastructure and has launched an online dealing service The introduction of the new computer platform in April last year was not seamless and caused us to fall below our normally high standards of customer service We have made strenuous efforts to remedy this, and it did lay the foundation for the smooth introduction in November of the online dealing service which has been extremely positively received by those who have used it Our investment in our subsidiary businesses is intended over time to produce a return on the capital invested and also an increasing revenue stream, both of which will benefit shareholders of the Trust

Board Matters

Sheila Ruckley retired as a Director following the merger She had served on the Board since 2000, and during her 18 year career with the Alliance held many important positions including Company Secretary and Corporate Development Director Alan Young, who had been Investment Director of the Company since 1992, retired in September I would like to thank them both for their commitment to the Company over many years and to record our appreciation for their significant contribution to its development and success

I am pleased to report that Janet Pope was appointed a Director in November 2006 and as Chief Executive of Alliance Trust Savings She brings 25 years experience of banking both in the United Kingdom and overseas, most recently with Visa Katherine Garrett Cox has been appointed as Chief Investment Officer and will join the Board in May this year Katherine joins us from Morley where she was also Chief Investment Officer and her breadth of investment experience will benefit shareholders Both appointments fall to be approved by shareholders at the annual general meeting and fuller biographical details of both directors are set out elsewhere in this report at page 33

William Jack, who has been a non executive director since 2000, retires at the close of this year's AGM due to the pressure of his other commitments We are grateful to William for his service to the Company during his time in office and I would like to express my appreciation of his counsel and knowledge of the wider financial services industry which he brought to our debates He is also the Senior Independent Director and the Board has elected Christopher Masters, who joined the Board in 2002, to fill that role

Annual General Meeting

Overall our aim remains to deliver real growth over the longer term coupled with a growing dividend In addition to the usual business of the annual meeting, we are proposing changes to the incentive arrangements which are described in the notice of meeting and which are designed to reinforce this aim Fuller details are set out in the notice of meeting

This year the AGM is being held at the Hilton Hotel overlooking the Tay and, as always, I look forward to seeing many of you at the AGM

Chief Executive's statement

Last year brought historic and structural changes in the way Alliance Trust operates that allow us to provide shareholders with real growth over the medium to long term even more effectively I am pleased to report that over the past year with the benefit of the merger with the Second Alliance Trust, your Company increased its Net Asset Value by 39% to £2 8bn and its Group revenue rose by 31 8% The total shareholder return over the financial year was 7 5% compared to the 4 2% increase in the Retail Prices Index

Our investment objective

Our objective is reinforced by aligning it more closely with your expectations that we should grow and preserve our Company's portfolio of investments By focusing on real returns relative to the UK RPI, we acknowledge that our shareholders invest in Alliance Trust expecting to receive a superior reward for their investment risk over the medium to long term You should reasonably expect your investment to return real growth over inflation across economic cycles, which is something that I'm pleased to say we have delivered in the past year, and will be a core target for your Company in the future

Last year's results show we can take significant steps to mitigate risk while, at the same time, continuing to grow our assets and seeking improved performance at all levels of our Group Our strategy is to reduce the Company's exposure to a single asset class and spread risk by diversifying across several main investment areas where we have, or are developing, expertise

Over the year we appeared to enter a more uncertain period in world equity markets We took decisive action in the third quarter to preserve capital, adopting a more defensive stance on equities We moved early to unwind our gearing of 2 7% of the portfolio and reduce exposure to quoted equities to 83% building up a 7% cash position This proved to be premature as equity markets moved higher, by over 10%, and our quoted equity portfolio lagged as a result This asset allocation decision was based on concerns of the risks from economic slowdown and higher energy costs Another factor in the relatively weaker second half was that we held a 10% equity exposure to Japan which was the poorest performing of the major markets and our own performance within that market was disappointing

However, our resulting cash position allowed us to take advantage of the stock market falls in the first quarter of the current year

We ended the year with just under 3% in private equity and just under 3% in property, both of which performed very well during the year We believe that this move was timely as we anticipate a genuine shift in perceptions and tolerance of risk in the year ahead when there are signs that the global economy may slow

Benefits of the merger

The most notable change since the last financial year is the merger of The Alliance Trust with the Second Alliance Trust At our last AGM, shareholders voted to approve the merger of the two investment companies and this took effect in June, creating one combined company which is now the largest generalist investment trust in the UK The merger means that we have a single set of shareholders and a simplified structure that is enabling us to take advantage of market opportunities in a more responsive and efficient manner

Recruiting quality and experience

In the past year, we have added genuine strength to our executive team At Group level we have appointed two very experienced and talented Directors, Janet Pope, who joined in November and is Chief Executive Officer of Alliance Trust Savings, and Katherine Garrett Cox, who has been appointed Chief Investment Officer and will take up her position in May Janet has experience in banking and corporate strategy with some of the world's leading financial services companies, while Katherine has a breadth of expertise in fund management, investment strategy and asset allocation Their combined expertise will inform strategic decisions at Board level and strengthen execution of that strategy in their respective investment areas We have also appointed a new Company Secretary, Donald McPherson, whose broad experience in the financial services and energy sectors will help to embed strong governance within our new structure Equally we have continued to bring skilled people into management teams throughout the Group

Recruiting the best people for these jobs in a competitive marketplace can be expensive as we must be prepared to recruit world class expertise in order to build a leading company Our remuneration packages have to be competitive and so we are realigning them with challenging performance targets This is integral to our strategy and executives and managers will only be rewarded to the extent that shareholders benefit and experience real returns in their investment

Our belief in creating the best possible environment for our Company to prosper was also carried through in the announcement that we will be investing in building a purpose built, modern HQ in Dundee to reunite our staff, currently operating from three sites in the city, in a single location The Scottish Executive has backed our expansion plans with a grant of up to £1 95m to help us in our creation of new jobs

Corporate structure

Headed by a single company, the Group is now organised into four principal investment divisions namely quoted equities, private equity, property and our financial services subsidiaries The subsidiaries include our pensions and investment services arm, Alliance Trust Savings, and our new asset management business, AT Asset Management (Asia Pacific) We have appointed heads of each of these divisions embedding greater accountability and clearer reporting lines Our goal is that each area in itself creates meaningful returns for Alliance Trust, while together these businesses complement one another, thereby multiplying returns for our Group, while diversifying risk

Our investment areas

In quoted equities, we performed well during the second year that we have been organised on a geographical basis In each area, we are focused on seeking excellent individual opportunities that will deliver value in the medium and long term The performance of our UK Small Cap and the Asia Pacific ex Japan portfolios are good examples of how a decisive, well researched approach is delivering outperformance

Our property portfolio, including mineral rights, had a good year, starting 2006/7 with two buildings fully rented and a capital value of £28 4m Property still represents less than 3% of our total assets, but over the year we added three prime properties in Edinburgh, Glasgow and Leeds at realistic prices in a heated market We saw capital value rise in historic oil and gas interests to nearly £11 2m and have been vigorous when negotiating new contracts We will continue to grow the property portfolio but only where we see quality and long term value The net asset value of our property portfolio has risen to over £78m in the last year

With the acquisition of Albany Ventures, we have increased our exposure to private equity and added two strong private equity specialists to help direct and manage the private equity division going forward Our private equity portfolio was valued at £80 1m at the end of the financial year, representing 2 8% of assets, in addition to which we manage £18 3m of third party assets

Our financial services subsidiaries comprise our Asset Management business and Alliance Trust Savings, our investment dealing, banking and pensions business These account for approximately 1% of the Company's capital

We see great potential in these businesses which we intend to grow so that they contribute significantly to the Alliance Trust Group both in terms of capital appreciation and earning generation In 2004 we began to modernise the Alliance Trust Savings business and put in place the capability, processes, systems, technology and people to allow us to begin to realise that potential

Stronger than expected business growth has reinforced our confidence in the potential of this business Building on a record the previous year, in the year to 31 January 2007 Alliance Trust Savings group customer numbers were up 23% (last year 22%), plans 20% (last year 12%), and, most importantly, revenue 25% (last year 19% before the Alliance Trust Pensions purchase) Revenue growth is stated after annualising the contribution from Alliance Trust Pensions which we acquired at the end of 2005, actual Alliance Trust Savings revenue growth this year was 77% Total customer assets under administration grew from £3 3bn to almost £4 8bn up 42% (on a like for like basis) compared to last year's 33% The rate of business growth over the last year has been very strong and we are reluctant to forecast that we will continue to grow at this pace, especially if the economy and investment environment were to slow However, early signs are positive with the delivery of an exceptionally functionally rich online dealing and account management service, and our innovative investment trust services The cost of customer acquisition and first year servicing generally exceeds recurring servicing costs and the economies of scale from our systems developments over the past few years are beginning to be realised

We anticipate that our financial services subsidiaries will be operating profitably in 2008/09

Over the year, AT Asset Management (Asia Pacific) began to manage two new open ended funds, one focused on Japan and the other on Asia Pacific, which are available to UK institutional and individual investors We also added £5 6m of third party assets under management, generating fees from this area that add further income to our asset management business This venture gives us the opportunity to generate revenue and offer alternative investment products to our shareholders and customers for the first time We are planning more funds and services over the next 18 months

Investment philosophy

We will further broaden the exposure of our corporate capital We are not setting a specific target for any single asset class, we are seeking to build portfolios where each investment represents a positive choice with real, long term potential to generate growing returns We are conscious of the overall risk profiles of asset classes such as property and private equity and the dangers of approaching these indiscriminately In every asset class, we are looking for outstanding opportunities that we will discover through rigorous bottom up analysis

Our goals for the coming year are

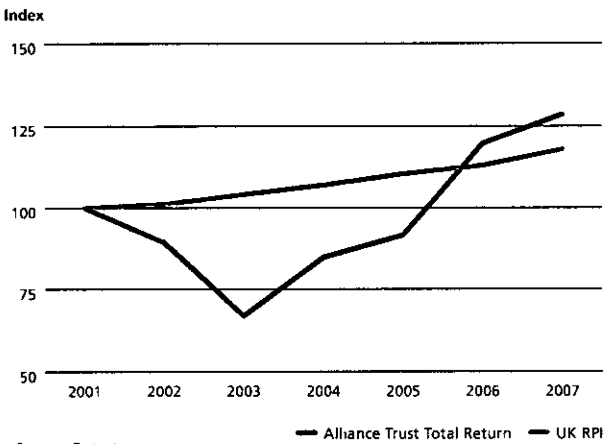
- To continue to build a portfolio of opportunities, ensuring we cherry pick those investments with real long term potential that stand out within their asset class and outside it We will develop avenues of profitability by continuing the diversification of our investments
- To grow and develop our financial services businesses by realising the exciting potential within our pensions business, growing our investment dealing business with our innovative online service and the transfer of customer books from other providers, and developing our new asset management business with new funds and services
- To complete the modernisation of our technology infrastructure across all our businesses and apply that technology to bring greater scale and flexibility to our businesses, as well as to refine our investment performance and deliver better services to customers and shareholders
- To continue building a world class team and supporting our employees in realising their full potential with customised training that develops their skills
- To manage costs continually with investment gauged strictly by its potential to generate medium and long term real returns

Business review

In this new section of the annual report we review the development and performance of the Company during the year and our position at the end of the year, as well as discussing the main risks and uncertainties facing the Company and how we manage them

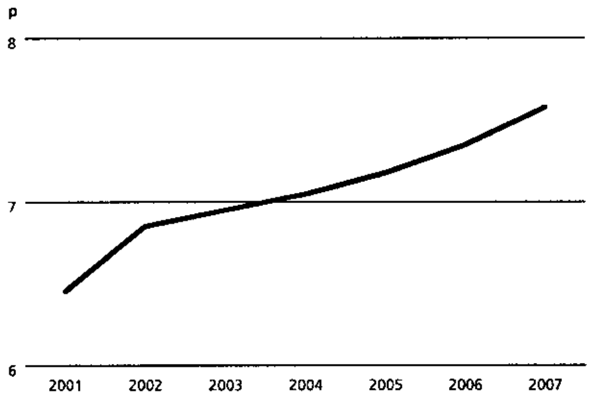
Our Key Performance Indicators help our management to measure progress against our objectives

Total Return against Retail Prices Index



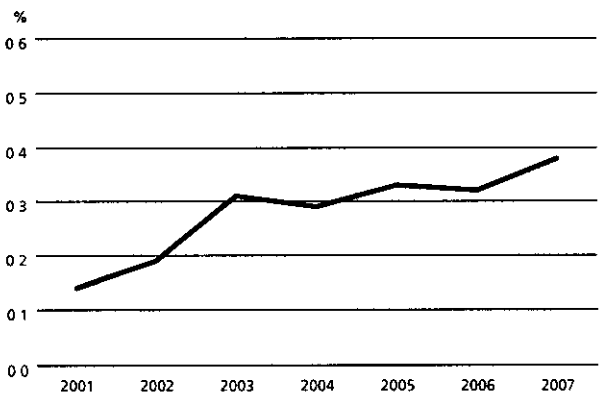
Source Datastream

Dividend growth



Source Datastream

Total Expense Ratio



Source Internal

Business review
Economic outlook

The vast majority of our assets is invested by our in house investment managers We describe economic conditions during the year and our outlook for the coming year and the investment strategy we adopt in the light of these economic conditions We also discuss the contribution to overall performance of each asset class, and the principal holdings within the portfolio

The oil price rose throughout the first half of last year, reaching a new all time high of over $77 in August Along with higher prices for other commodities, this added to cost pressures facing both households and companies across the world Inflation began to rise and growth to slow, giving policy makers considerable cause for concern

USA

In the US, the Federal Reserve continued to raise interest rates, reflecting its view that rising inflation was a bigger risk than softer growth The Federal Funds rate was increased to a level of 5 25% in June, after which point rates were left unchanged as signs emerged that economic growth was beginning to slow This was particularly evident in the housing market where the build up in inventories of homes for sale put significant downward pressure on both prices and activity The resulting decline in residential construction had a negative impact on overall economic growth in the autumn Nonetheless, consumer confidence and spending both held up relatively well, buoyed by the fall in oil and gasoline prices in the later months of the year The price fall was largely the result of unseasonably hot weather and it also provided an unexpected boost to economic activity in the final quarter From here, the outlook for the US economy very much depends on the scale of any further correction in the housing market and whether there is any significant rebound in the oil price

Japan

Although Japan is enjoying its longest period of continual economic expansion since World War II, growth has become unbalanced with increased reliance on the export sector This has benefited from the recent weakness of the yen, which has fallen to a 20 year low on a trade weighted basis Consumer spending has, however, remained disappointingly weak, as the recent strengthening of the labour market has yet to feed through to wage increases A weak consumer

Oil price (West Texas Intermediate $ per barrel)

Source EcoWin

US house price growth (Nat Assoc of Realtors)

Source EcoWin

background has made it increasingly difficult for companies to increase prices Inflation and interest rates remain low, which has encouraged the 'carry trade' through which investors borrow in a low yielding currency, such as the yen, to invest in higher yielding currencies or assets overseas It is likely this trend has exacerbated the weakness in the yen Looking forward, the ongoing strengthening of the labour market should promote a rise in income levels, which will help to underpin consumer confidence and spending

China

China's exports have also benefited from a relatively weak currency, and this, along with high levels of investment growth, has produced GDP growth in excess of 10%, which has propelled the economy into fourth place in the world, just ahead of the UK However, policy makers have become increasingly concerned about an investment 'bubble' being created and have already taken some restrictive steps Although China is still expected to exhibit strong growth, the success of these cooling measures could result in the rate of growth for the coming year falling back into single digits

Asia Pacific

The economies of the rest of Asia are also highly reliant on exports These economies have relatively high exposure to the US market and would be vulnerable to any signs of cooling US consumer demand brought about by the weakening of the housing market Currency appreciation poses a further threat However, Asia's intra regional trade and domestic activity, which have both increased significantly in recent years should help to compensate if export growth starts to weaken

Europe

In Europe, the corporate sector appears to have coped well with higher commodity prices, rising interest rates and the appreciation of the euro In Germany, in particular, business confidence has been strong, encouraging higher levels of investment and some growth in employment Stronger labour markets throughout Europe are expected to lead to increased levels of consumer confidence and spending in the year ahead

UK

The UK recorded relatively strong growth last year, but this was unbalanced, driven largely by the service sector Stronger growth was accompanied by higher inflation, caused by significant increases in the cost of basic goods such as gas, electricity and food Retail price inflation recently reached a 15 year high, forcing the Bank of England's Monetary Policy Committee to raise interest rates for the third time since August Although inflation is expected to decline over the coming year, the combination of tighter monetary policy and record levels of household debt may act as a restraint on consumer spending

Overall outlook

It is too early to be certain that the US housing market correction has ended, and there is still some risk that it may have a negative impact on consumer confidence and spending, particularly if the labour market shows any signs of weakening A decline in consumer spending in the US could have some impact on other regions, such as Asia and Europe, although there may be some compensation from the increased levels of intra regional trade and activity in both areas The other key risk is that a rebound in the oil price adds to the downward pressure on demand Policy makers almost everywhere will continue to face the problem of trying to keep policy tight enough to contain inflation, but loose enough to facilitate growth

Currencies – Trade Weighted Indices

Source EcoWin

UK Retail Price Inflation

Source EcoWin

Business review

Investment strategy

Grant Lindsay
Head of Equities

After steady advances in the first few months of the year, equity markets suffered a meaningful correction in May and early June, but recovered sharply thereafter High levels of merger and acquisition activity, healthy cash flows and investors' willingness to accept risk have resulted in strong returns from global stock markets over the last twelve months Emerging markets saw some of the biggest gains

Asset Liability and Income Committee members

Alan Harden
David Deards
Grant Lindsay
Anthony Muh
Neil Tong
Matthew Strachan
Shona Dobbie
Raymond Abbott
Hugh MacNish Porter

Market Background and Asset Allocation

The Asset Liability and Income Committee (ALICo) was the driver to significant changes to asset allocation over the course of the year During the year ALICo took a more cautious approach to asset allocation repaying the small opening gearing position and raising cash from selective asset sales with the intent to protect the Company's capital from an anticipated market correction Although our core focus remains very much on equities, we have continued to build exposure to private equity and direct property After the very good performance from all the equity portfolios last year, which was repeated at the interim stage in 2006, the final returns for the current year from the various geographical regions were mixed The details are contained in the fund managers' Portfolio Reviews but the strong performance of our UK Small Cap and Asia Pacific portfolios is again worthy of mention

We began 2006 with gearing equivalent to 2 7% of gross assets, reflecting our positive stance on the world economy and stock markets prospects in particular In February, we took our highest exposure to equities, taking the view that absolute and relative valuations were encouraging when compared to alternative assets Corporate balance sheets and cash flows remained strong and merger and acquisition activity was helping to underpin the markets The sharp rise in bond yields in the late spring triggered by inflation concerns and the unwinding of the Japanese yen as a funding currency for 'carry trades' introduced a period of volatility into currencies, commodities, and markets This resulted in a sizeable six week sell off in May and early June with equities retreating sharply, falling by 11 5% in sterling terms by mid June which was the low point for the year As the markets recovered during July and August, oil prices hovered close to $78 per barrel When combined with our negative stance on the US housing cycle we concluded that a hard landing for the US economy was becoming a distinct possibility and for the consumer, still such a major force in the world economy, a probability

Against this background, we quickly moved to unwind our gearing and sought to protect capital by raising cash, which at one point represented nearly 10 3% of total assets Our cash position was not based on a long term bearish view but on an assessment of the risks then prevailing The anticipated stock market correction did not occur until after the year end Indeed, markets continued to move strongly ahead as some of the fundamentals that had encouraged us earlier in the year fell back into place Energy prices fell and concerns about global monetary policy and the earnings outlook abated This, in turn, sparked a renewed burst of bid speculation and merger and acquisition activity

Investment Policy

We withdrew some £100m from the North America market during the reporting period, a decision based on our concerns about the outlook there The bulk of this money was realised from the Small Cap sector where our exposure was through Exchange Traded Funds purchased in late 2005 We also sold £30m from the Large Cap portfolio With the S&P 500 index returning only 2% to a sterling investor over the year, this move was vindicated on a relative return basis when compared with other major markets Notwithstanding our cautious stance, we continued to rebuild exposure to Canada With budgetary and trade surpluses and ample supplies of resources Canada is well placed to benefit from growth in Asia While any slowdown from its southern neighbour will without doubt be negative, the long term attractions remain

In the UK, we realised £100m from our Large Cap portfolio but were net buyers in Small Cap of £6 4m Our reduction in Large Cap reflected our overall cautious strategy, our growing unease over the inflationary squeeze on UK households, and the effect of the strength of the pound on dollar earners and exporters However, in Small Cap we continued to find attractive ideas and this was borne out by a 20% rise in the index compared with 8% for Large Cap For Europe, we were more positively inclined adding £24m to the portfolio over the year and the market index rose by 14% European companies will benefit from export led growth and market valuations appear reasonable following extensive restructuring in recent years

Whereas the world economy continued to benefit from the emergent powerhouses of China and India and a sustained recovery in Europe, Japan's progress was disappointing Indeed, it was the worst performing major market and proved to be a big disappointment over the year The domestic economy and the consumer in particular, remained frustratingly cowed We reduced our position in Japan with net sales of £46m and remain cautious for the immediate outlook but positive for the medium term

Our long term view for the rest of the Asia Pacific region is far more positive, which is reflected in a positive allocation to the region Last year, this market rose by 10% We added a net £8m at a time of material selling elsewhere in the portfolio The military coup in Thailand and North Korea's unpredictability served to remind investors during the year of the volatile nature of emerging economies New monies were primarily allocated to Taiwan, which had lagged the other markets, although we continued to build our holdings in India and South Korea We reduced our exposure to Australia on valuation grounds

Diversification of capital into other asset classes has made progress with £23m added to private equity and £35 7m to property Our private equity business has taken a step forward through the acquisition of Albany Ventures and we look forward to building on the experience acquired here as we move to further increase our presence in this asset class Our property assets have already begun to show good returns and the yield on the portfolio compares favourably with yields available on much prime property

Over the year, we have enhanced the tools available to the investment teams and continued to adapt the investment process with changes led by ALICo Sources of information, which are always vitally important in fund management, were strengthened through the introduction of a web based

US gasoline

Source Datastream

FTSE indices

Source Datastream

investment information package Additionally, we implemented the first phase of an operational management and investment information system This will cover our back, middle and front office requirements right through from order management, settlement, compliance, and performance reporting to portfolio modelling and positioning These new systems will not just simplify and assist the investment process and related activities but will also provide the vital management information required to run an investment company in the 21st century

Looking ahead

- Growth should moderate as the US economy slows and China succeeds in reining in growth Geopolitical concerns remain and the tensions with Iran could yet spill over into the oil markets The constant threat of terrorism persists and will continue to cast a dark cloud
- Equity markets should produce moderate returns over the year We will take advantage of any opportunities that occur to reinvest the cash position at attractive valuation levels Diversification into private equity and property will continue, again driven by opportunity and suitable valuation levels
- Our investment process and new information systems will be used to ensure that capital is deployed into assets with the best potential to deliver long term returns for shareholders

Distribution by sector

	£m
Oil & Gas	278 9
Basic Materials	147 6
Industrials	294 4
Consumer Goods	265 4
Consumer Services	195 9
Health Care	192 9
Utilities	98 7
Telecommunications	52 4
Financials	741 7
Private Equity	80 1
Subsidiaries	49 0
Real Estate	78 3
Fixed Income	26 6
Technology	115 8
Portfolio	2,617 7
Other Net Assets	213 9
Total Net Assets	2,831 6

Distribution by geographical region

	£m
UK	1,345 7
North America	330 1
Europe	431 6
Japan	234 3
Asia Pacific	255 9
Rest of World	–
Fixed Income	26 6
Subsidiaries	49 0
Private Equity	80 1
Real Estate	78 3
Total Net Assets	2,831 6

The 20 largest investments

	£m
GlaxoSmithKline	70 3
BP	69 6
Alliance Trust Real Estate Partnership	67 1
Royal Dutch Shell	62 0
Royal Bank of Scotland	54 8
HBOS	53 6
HSBC	47 9
Lloyds TSB	43 1
Persimmon	38 4
Premier Alliance Trust Asia Pacific Fund	36 9
Premier Alliance Trust Japan Fund	35 4
Barclays	34 3
Vodafone	32 1
Rio Tinto	29 3
Anglo American	28 7
Alliance Trust Savings	28 2
Tesco	26 4
Exxon Mobil	25 4
Reckitt Benckiser	24 9
Prudential	24 1

Investment changes

	Valuation as at 31 Jan 2006 (£m)	Purchases (£m)	Sales (£m)	Appreciation (£m)	Valuation as at 31 Jan 2007 (£m)
UK	967 6	550 5	(385 0)	112 3	1,245 4
North America	320 6	154 1	(155 0)	(1 5)	318 2
Europe	227 8	172 7	(67 4)	43 5	376 6
Japan	214 3	147 5	(130 7)	(29 4)	201 7
Asia Pacific	162 6	174 0	(115 9)	21 1	241 8
Rest of World	6 9	1 5	(8 2)	(0 2)	0 0
Fixed Income	21 5	6 7		(1 6)	26 6
Subsidiaries	42 2	14 2	(0 4)	(7 0)	49 0
Private Equity	35 9	44 8	(6 3)	5 7	80 1
Real Estate	28 4	46 7	(1 0)	4 2	78 3
	2,027 8	1,312 7	(869 9)	147 1	2,617 7

Classification of investments

	UK %	Europe %	North America %	Japan %	Asia Pacific %	Rest of World %	Total 2007 %	Total 2006 %
Oil & Gas	6 3	0 7	2 5	0 0	0 4	0 0	9 9	12 2
Basic Materials	3 7	0 7	0 0	0 3	0 5	0 0	5 2	7 4
Industrials	4 5	2 0	1 4	1 4	1 1	0 0	10 4	11 0
Consumer Goods	5 1	1 7	0 8	1 1	0 7	0 0	9 4	8 0
Health Care	2 9	1 7	1 9	0 2	0 1	0 0	6 8	7 7
Consumer Services	4 0	0 7	1 2	0 6	0 4	0 0	6 9	9 8
Telecommunications	1 2	0 4	0 0	0 0	0 2	0 0	1 8	3 0
Utilities	2 4	0 7	0 2	0 0	0 2	0 0	3 5	3 0
Financials	13 6	4 4	1 2	3 1	3 9	0 0	26 2	26 2
Technology	0 3	0 3	2 1	0 4	1 0	0 0	4 1	4 8
Total Equities*	44 0	13 3	11 3	7 1	8 5	0 0	84 2	93 1
Private Equity	2 0	0 8	0 0	0 0	0 0	0 0	2 8	1 8
Subsidiaries	1 7	0 0	0 0	0 0	0 0	0 0	1 7	2 1
Property	2 4	0 0	0 4	0 0	0 0	0 0	2 8	1 4
Fixed Income	0 9	0 0	0 0	0 0	0 0	0 0	0 9	1 1
Total Investments	51 0	14 1	11 7	7 1	8 5	0 0	92 4	99 5
Other Net Assets	3 6	1 9	0 4	1 2	0 5	0 0	7 6	0 5
Total Net Assets (£2,831 6m)	54 6	16 0	12 1	8 3	9 0	0 0	100 0	100 0
2006 (£2,037m)	54 2	12 6	14 1	10 5	8 3	0 3	100 0	

* convertibles represent 0 2% (0 7%)

Regional Equity Performance (capital only)

	Performance %	Index %
UK Large and Mid Cap	7 16	8 00
UK Small Cap	22 88	20 15
North America Large and Mid Cap	0 51	2 37
Europe Large and Mid Cap	14 44	14 37
Japan	(12 18)	(10 52)
Asia Pacific ex Japan	11 28	9 83

Source Performance Internal
Index FTSE Global Equity Index Services except North America which is a composite calculated internally

Business review
Portfolio review

UK Large Cap (35.3% of net assets at year end)

Neil Tong

Over the year, the UK Large Cap portfolio produced a capital plus income return of 10 6% compared with a rise of 11% from the benchmark index An overweight position in the oil sector was the main factor that detracted from performance High levels of merger and acquisition activity and bid speculation were market features during the year with the effects spread across various industry sectors

We had a considerable investment in financials which contributed positively to the portfolio's performance We focussed on banks, in particular, where we held positions in Lloyds TSB, HBOS and RBS, and on the life assurance sector The portfolio suffered from a high exposure to the oil sector where the fall in the oil price was exacerbated by poor operational performance, in particular from BP which fell 21% and to a lesser extent from Royal Dutch Shell We benefited from a reasonable exposure to bid stocks such as BAA, AB Ports and Scottish Power Utilities were strong over the period and the holdings in SSE, Scottish Power, National Grid, Severn Trent and United Utilities all outperformed with SSE particularly strong, rising by 40% In pharmaceuticals, GlaxoSmithKline suffered a de rating following disappointment over new drug development and the share price fell 5% However, the shares currently look well supported by strong cash flows Our position in the house builder Persimmon held up well and, in general, we believe share prices in the housing sector remain attractive as there continues to be a shortage of new housing stock A below average weighting in telecoms was a negative factor over the year since both Vodafone and BT performed very strongly as market conditions stabilised and operational performance improved Vodafone rose by 26% and BT by 49%

We increased our exposure to the life assurance sector during the year, taking a new position in Standard Life initially through the public offering Standard Life has performed well returning over 25% We reduced our commitment to both mining and oil stocks amid evidence that supply was increasing and ongoing concerns that we had about company performance A new holding in Centrica was established where improving operational performance and the potential for takeover provided an attractive combination for investment Having previously been through difficult trading periods, Rolls Royce and Marks & Spencer were also bought for the portfolio and both have performed well since Other purchases included new holdings in Hanson and Scottish Power which saw an increase of over 30% since its purchase Sales made for the portfolio included Wolseley, Aviva, Slough Estates, Kelda and Next Since its disposal Aviva has produced a dull performance

At the economic level, we are currently in the middle of a mid cycle slowdown The UK equity market remains well supported by takeover and merger activity, often led by consolidation within a particular industry or by private equity funds Corporate earnings and dividends should also remain healthy and provide upward momentum to the market Some headwinds to profitability are likely including sterling's recent strength and rising input costs After rate rises in both November and January, UK interest rates are now at their highest level for five years and appear unlikely to move down for some time

Top ten investments

Company	Sector	£m
GlaxoSmithKline	Pharmaceuticals & Biotechnology	70 3
BP	Oil & Gas Producers	69 6
Royal Dutch Shell	Oil & Gas Producers	62 0
Royal Bank of Scotland	Banks	54 8
HBOS	Banks	53 6
HSBC	Banks	47 9
Lloyds TSB	Banks	43 1
Persimmon	Household Goods	38 4
Barclays	Banks	34 3
Vodafone	Mobile Telecommunications	32 1

UK Small Cap (8.7% of net assets at year end)

John Ewart

The UK Small Cap portfolio produced a capital return of 22 9% over the year, ahead of the 20 2% return from the FTSE World UK Small Cap Index Merger and acquisition activity helped support equity valuations during the year A correction in the market in May and June presented good buying opportunities and we used this to increase our exposure to housebuilders

Global economic growth has remained relatively strong and this benefited the companies held in the UK Small Cap portfolio Engineering companies, in particular, have recorded strong order books, which improves investor confidence about future profits growth Our purchase of shares in Charter proved well timed as the company has since upgraded its forecasts for profit margins and earnings growth The share price has risen by over 30% since the original purchase The holding in Michael Page, the recruitment specialists, also contributed to outperformance, increasing by over 70% The company has benefited from strong demand for job placements in the UK and increased activity in its expanding international operations

We continued to invest in companies that gain advantage from government outsourcing to the private sector and this has served the portfolio well Carillion and Serco have won more contracts over the last twelve months, which gives improved visibility for their prospects over the medium term Performance from both companies has been pleasing with gains of over 22% and 32% respectively

House builders have proved to be a lucrative investment theme in recent years Following the bid for Crest Nicholson, which is held in the portfolio, we purchased a potential replacement in Barratt Developments Both Bellway (+23%) and Bovis (+37%) contributed positive performance over the year Early in the year, we added to SIG, the UK and European distributor of insulation materials Profit expectations for SIG subsequently rose on several occasions as demand for improved insulation was evident in commercial and residential properties, in part driven by new legislation The shares rose by over 40% during the course of the year

The improving operating environment was also a theme in the oil services industry With reserve replacement a key objective for the oil majors, demand for oil field services has remained strong and this was reflected in the performance of Petrofac, which rose by 17%

While recognising the excellent returns from the small cap universe in recent years, we remain confident that stock specific opportunities can be found We will continue to highlight investment in specific sectors that are experiencing stronger growth than the general economy

Top ten investments

Company	Sector	£m
Michael Page	Support Services	11 5
Great Portland Estates	Real Estate	10 9
Aberforth Smaller Companies	Equity Investment Instruments	10 5
Merrill Lynch World Mining Trust	Equity Investment Instruments	9 9
Charter	Industrial Engineering	9 4
Serco	Support Services	9 4
Bovis Homes	Household Goods	9 0
Spirax Sarco	Industrial Engineering	9 0
Bellway	Household Goods	8 9
SIG	Support Services	8 8

Europe (13.3% of net assets at year end)

Christopher Clarke

The European portfolio rose 14 4% in sterling terms over the year under review, in line with the regional benchmark index which also returned 14 4% Following a sell off in May and early June, European markets recovered strongly against a background of strong corporate earnings and persistent merger and acquisition activity

An overweight position in insurance stocks helped performance with good contributions from AXA, Sampo and CNP Sampo, for example, rose 30 5% during the period Among stocks held in the banking sector, Nordea was one of the best performers, the positions in Deutsche Bank, Anglo Irish Bank and UniCredito Italiano all contributed positively while UBS underperformed We were underexposed to telecoms, which as a sector was strong, although the portfolio's holding in Telefónica put in a good performance late in the year In general, the technology stocks within the portfolio underperformed the market benchmark SAP, for example, underperformed after disappointing sales growth for its software licences, we subsequently sold this holding and its shares have since fallen further Being slightly underweight in oil and gas was a positive factor since this area lagged behind the market The pharmaceutical sector was weak and we reduced exposure to this sector throughout the year, in particular by reducing Novartis which underperformed the regional benchmark by 16 9% in sterling terms In the leisure area, global hotelier Accor was a notable winner, gaining 28 9% A pick up in trading and restructuring of its asset base was well received by the market MAN, the German industrial company, rose 70 6% on the back of continued strength of demand for commercial vehicles and consolidation activity within the industry Global demand for capital goods also helped Swedish engineering companies SKF, Sandvik and Atlas Copco which all performed well We reduced our exposure to these stocks during our more cautious stance in the late summer The holding in the media company, VNU, was taken over by a private equity consortium during the year

For the portfolio we purchased a holding in Holcim, a cement company which is benefiting from global construction growth, especially in emerging markets We added to the recruitment business area, where Randstad is already held, with a new holding in Adecco A new position in The Swatch Group was established in November, which has done well since our purchase, rising 14 4% against a background of strong global demand for luxury watches Sales of note for the portfolio included the German retailer Metro, after it reached our valuation targets

Our positive view on prospects for Europe is based on improving growth and the favourable exposure of European companies to global growth and exports Companies in Europe have, by and large, undergone restructuring to tidy up their cost bases and balance sheets and are moving to a more expansionary mode We take the view that further domestic recovery is also possible, particularly in Germany, and we retain a bias towards this market Valuation levels look reasonable, liquidity remains supportive and merger and acquisition activity is helping to underpin the markets Further strengthening of the euro is a risk which could act as a drag on export growth

Top ten investments

Company	Sector	£m
AXA	Nonlife Insurance	17 5
BNP Paribas	Banks	17 5
UniCredito Italiano	Banks	16 7
Total	Oil & Gas Producers	16 1
Roche	Pharmaceuticals & Biotechnology	13 7
Accor	Travel & Leisure	12 1
Nestlé	Food Producers	11 9
Deutsche Bank	Banks	11 8
UBS	Banks	11 7
ENEL	Electricity	11 6

North America (11.3% of net assets at year end)

Matthew Strachan

In common with other regions, the US market fell back in the early summer but it rose strongly thereafter Over the year, the benchmark index returned 12 7% in US Dollar terms However, dollar weakness reduced the actual return for a sterling investor to 2 4% The portfolio return was 0 5%

Performance suffered in the later part of the year from the portfolio's heavy weighting in oil and gas stocks as the price of both commodities fell Our holding in Ultra Petroleum (a pure gas investment) fell 24% for example We remain underweight in banks as we continue to be concerned over a pick up in credit losses and a squeeze on profitability from a flat interest rate curve Healthcare stocks performed well helped by the increase in drug sales resulting from new Medicare coverage – the shareholding in Baxter International, for example, rose 35%, contributing positively to performance Technology shares had mixed fortunes with good performance from Cisco Systems (+43%) and American Tower (+29%) offset somewhat by Motorola (13%) Concerned by the economic outlook, we reduced our investment in North America in the late summer by selling our holdings in Small Cap exchange traded funds This move, however, proved somewhat premature as these funds continued to rise in line with the US market

We lightened our exposure to US banks by selling Wells Fargo and added to Canadian banks, where we expect faster loan growth, with the purchase of Bank of Nova Scotia and Royal Bank of Canada In pharmaceuticals, we sold both Pfizer and Bristol Myers Squibb after disappointment over their ability to get new drugs to market We reduced our telecoms investment, as competition continues to increase, through sales of the holdings in Sprint, Verizon and Alltel In their place, we increased the investment in industrial stocks with new holdings in ITT, a leading engineering manufacturer, and Joy Global, a mining equipment manufacturer

During the year we also sold our remaining holding in Wal Mart, partly over concern that their constituent customer base will face tough economic conditions and partly due to the difficulty the company is having in re invigorating their brand However, this masks one of our great investments in the US We first invested in Wal Mart way back in 1977, meeting with the eponymous founder Sam Walton, when it was a fast growing retailer with little more than 100 stores Since then it has grown into the empire we know today, realising substantial profits for us along the way From our first purchase to last sale, the stock rose nearly 790 fold

Following nearly four years of double digit earnings growth and a fifty year high in corporate profitability, we still expect US corporate profits to grow, but at a slower pace Democrat control of Capitol Hill since November brings political uncertainty and possibly a more hostile approach to corporations, although markets have coped with this before While we expect the consumer and housing market to be restrained this year, we do not expect any dramatic deterioration and with company balance sheets in rude health, merger and acquisition activity should remain robust

Top ten investments

Company	Sector	£m
Exxon Mobil	Oil & Gas Producers	25 4
Abbott Laboratories	Pharmaceuticals & Biotechnology	22 6
Altria Group	Tobacco	14 4
Microsoft	Software & Computer Services	13 7
Petro Canada	Oil & Gas Producers	13 1
Johnson & Johnson	Pharmaceuticals & Biotechnology	13 1
Motorola	Technology Hardware & Equipment	10 3
Bank of America	Banks	10 0
Cisco Systems	Technology Hardware & Equipment	9 5
CVS	Food & Drug Retailers	9 3

Japan (7.1% of net assets at year end)

Harfun Ven

The portfolio fell in value by 12 2% in sterling terms over the year, which compares with a fall in the regional benchmark index of 10 5% The weakening of the yen had an adverse effect on the overall portfolio, even though exporters gained, because it caused companies relying on the domestic economy to underperform Over the year, Japan was the worst performing major stock market in the developed world

The pronounced weakening of the yen in 2006 came as a surprise to many, including us Holdings in exporters such as Toyota Motor, Honda Motor and Canon benefited We have an 8 8% weighting in the three companies and their share prices appreciated by well over 30% during the year We were overweight in the banking sector because we expected more than one interest rate increase from the Bank of Japan This did not happen and our positioning here was detrimental to performance The megabanks were especially hard hit, falling on average 11 2% The low interest rate environment provided ample liquidity to the real estate sector and the portfolio's holding in real estate developer Mitsui Fudosan gained 26 7% In December and January, higher yielding stocks such as utilities became the focal point of interest for investors We were not exposed to these sectors and our resulting underperformance in the last two months of the period meant we ended the year behind the benchmark index

New positions added during the year such as Aeon Mall, IBIDEN and OSG performed well Aeon Mall is Japan's leading shopping mall developer and is seeing positive same store sales growth Our new holdings in the Small Cap sector, however, performed poorly after earnings downgrades Link Theory, a speciality fashion retailer in which we had a small holding, saw its earnings deteriorate We had overestimated the ability of this company's management to achieve their targets Works Applications, a package software developer, also had an earnings downgrade and we were slightly early in buying this stock By the end of the year, real estate valuations looked rich and we reduced our exposure by 2 0%

We believe the Japanese economic recovery will remain on track, led by industrial production, and backed by exports and investment Domestic consumption, which has lagged behind recovery elsewhere, should slowly pick up and eventually lead to a more sustainable and robust economic recovery However, the timing of this does remain uncertain Cash flows from Japanese corporations are strong, allowing them to stay in the forefront of global competitiveness, so we intend to concentrate on stock specifics rather than make investments guided by sector views Our preference is for companies that can demonstrate a technological advantage in a growing business market

Top ten investments

Company	Sector	£m
Premier Alliance Trust Japan	Nonequity Investment Instruments	35 4
Sumitomo Mitsui	Banks	11 0
Mitsubishi UFJ Financial	Banks	10 1
East Japan Railway	Travel & Leisure	9 5
Toyota Motor	Automobiles & Parts	8 6
IBIDEN	Electronic & Electrical Equipment	7 1
FCC	Automobiles & Parts	6 3
Takeda Pharmaceutical	Pharmaceuticals & Biotechnology	6 1
Chiba Bank	Banks	6 0
OSG	Industrial Engineering	5 9

Asia-Pacific (8.5% of net assets at year end)

Tathagata Guha Roy

The Asia Pacific portfolio returned 11 3% in sterling terms over the last twelve months compared to a rise of 9 8% in the regional benchmark index Stock selection was the main driver of outperformance although country allocation was also positive China and India benefited from strong foreign fund inflows during the year as the economies of both countries continued to do exceptionally well

Stock selection made a positive contribution with several of the portfolio's key holdings performing well These included a 1 1% weighting in Hong Kong Exchange and a 4 1% position in Keppel Corporation which outperformed the benchmark by 84% and 19% respectively Country allocation, in particular being underweight in Korea and overweight in Hong Kong/China for most of the year, also contributed to outperformance though we have brought down that overweight However, being underweight in the South East Asian markets like Indonesia and the Philippines was a negative For asset allocation, we maintained our positions in India despite some caution about valuations and we kept our underweight position in Australia as valuations looked stretched for most companies In the China A share market, strong cash inflows have continued We have trimmed our position in the iShares A50 China Tracker after a steep run up towards the end of 2006 In Thailand, while valuations are cheap we remain concerned about the political situation and capital controls

In Hong Kong, we reduced portfolio positions where valuations looked stretched including Café de Coral, Hong Kong Exchange, Dairy Farm and Swire Pacific We added to Hang Lung Properties which has been expanding successfully in China's retail malls and this has outperformed by 9% since our purchase In Thailand, we added to stocks with good individual growth prospects, for example, Bank of Ayudhya which has great restructuring potential following GE Capital's acquisition of a stake in the company The stock has underperformed by 6% since our purchase along with the weakness in the Thai market However, we remain confident of its long term prospects Reductions in the Korean holdings included sales of Cheil Communications and Hyundai Motor which has underperformed by 35% since our sale In Taiwan, we focused on the technology sector and initiated a position in High Tech Computer, a smart phone company likely to win business from global operators

Looking ahead, we expect lower levels of growth from the region in 2007 Nonetheless, we remain positive on the outlook for corporate profits While the strength of markets over the past year means there are no longer any bargains, moderate overvaluations are underpinned by ample liquidity and a positive economic backdrop Company valuations appear reasonable when screened against developed markets though Indian and Chinese stock valuations are a cause for concern The risk to the regional markets lies more in external events such as US weakness or Middle East conflict rather than in the region In the year ahead, stock selection will be the key to outperformance

Top ten investments

Company	Sector	£m
Premier Alliance Trust Asia Pacific	Nonequity Investment Instruments	36 9
Keppel Corporation	General Industrials	9 9
iShares A50 China Tracker	ETF	9 8
Infosys Technologies	Software & Computer Services	9 7
Rio Tinto	Mining	9 3
Kookmin Bank	Banks	7 8
Hang Lung Properties	Real Estate	7 5
Brambles	Support Services	7 4
Taiwan Semiconductors	Technology Hardware & Equipment	6 8
Korea Exchange Bank	Banks	6 3

Real Estate (2.8% of net assets at year end)

Hugh MacNish Porter

With a relatively limited number of suitable properties available for investment, simple economics of supply and demand have driven prices higher while at the same time the rental income from property has remained broadly static in real terms

For the property portfolio, we have made progress in a competitive market and now have some excellent buildings in Edinburgh, Glasgow and Leeds which we are confident will generate consistent returns over a sustained period We are particularly pleased with our purchase of Edinburgh House, a modern office building in central Edinburgh which has delivered a return in excess of 17% over the year In 2007, we will look to add further prime assets as we continue to steadily build our core portfolio in a competitive environment

The value of the portfolio's US mineral interests rose 40% last year mainly because of a steep rise in the price of gas, from which most of our royalty income is derived We also had a good year in signing new exploration leases with producers accounting for in excess of $600,000 in bonus receipts (paid to us when we complete a lease deal) With gas prices now well off last year's peak we do not expect the same kind of capital performance to be repeated but production is still expected to hold up well

With the general economy continuing to grow, we expect rental values to move on a little with office rentals probably growing a little faster than retail and industrial Property investment, however, is still very much about stock selection and we will remain very much focused on the merits of individual deals

Property investments

Location	Address	Type	Value (£m)
Edinburgh	Edinburgh House, 4 North St Andrew Street	Offices	18 65
Leeds	Kings Court, 12 King Street	Offices	17 55
Edinburgh	Tigerlily, 125 George Street	Hotel	10 61
Edinburgh	6 10 Frederick Street	Retail	10 24
Glasgow	Monteith House, 11 George Square	Offices	10 10

Private Equity (2.8% of net assets at year end)

Raymond Abbott

The holdings in quoted private equity shares delivered another very strong year, for example, Standard Life European and Candover rose by 30% and 19% respectively Among the private equity funds held, Dunedin Buyout Fund continued its good performance Our acquisition of Albany Ventures in November takes our Private Equity involvement to a new level

Over the year, we were active in taking an exposure to KKR Private Equity So far the share price has made little progress since the aggressive initial public offering We increased our exposure to pooled private equity funds through a £12m commitment to Dunedin Buyout Fund II A new exposure was a £6 0m investment in Impax New Energy Investors which complements our holding in quoted Impax Environmental Markets investment trust We were pleased to re establish links with the Fleming family through a £20m commitment to Fleming Family Private Equity where subsequently we saw a drawdown of £5m It is partly through these partnerships that we will seek co investment opportunities

We have rightly seen media focus on the vast sums now being raised and invested, and the increasing prices at which deals are being struck We recognise that excesses do exist in this asset class but we seek to move forward using our own expertise with a focus on specific investment opportunities where we can apply our own strict criteria for quality and value The in house expertise we now have will allow us to participate in co investment and direct investment opportunities not previously open to us

Top ten investments

Company	Sector	£m
KKR Private Equity Investors	Private Equity	22 4
Standard Life European Private Equity	Private Equity	17 4
Candover Investments	Private Equity	11 9
Impax Environmental Markets	Private Equity	6 8
Promethean	Private Equity	5 3
Fleming Family Private Equity Vehicle	Private Equity	4 9
SVG Capital	Private Equity	4 7
Albany Ventures Fund III Limited	Private Equity	2 1
Dunedin Buyout Fund	Private Equity	1 8
Herald Ventures II Limited	Private Equity	0 9

Fixed Income (0.9% of net assets at year end)

The fixed income portfolio consists wholly of preference stocks in the UK financial sector

Against a background of rising interest rates, the capital value of the portfolio declined by 6 6% over the year However, taking into account the income yield, the total return was 0 9% which compares with a total return of 1 1% in sterling terms for the MSCI EuroSterling Credit Index over the same period

Financial markets are currently pricing in a further quarter point rise in UK interest rates during the first half of 2007, with rates then expected to ease in 2008 Should this scenario transpire, we expect 2007 may be challenging in terms of capital return However, the income yield remains intact

Fixed income investments

Company	Sector	£m
HBOS 9 25%	Fixed Income	9 9
Abbey National 10 375%	Fixed Income	8 0
General Accident 8 875%	Fixed Income	5 1
Standard Chartered 7 375%	Fixed Income	3 7

Business review
Our financial services subsidiaries

Alliance Trust PLC invests in subsidiary businesses to generate greater shareholder value Our subsidiaries provide investment dealing, pensions, banking and asset management services to our shareholders and other investors

Over the year, revenue at our financial services and pensions business, Alliance Trust Savings, increased by 25% while the total assets it administers on behalf of customers grew by 42% to just under £4 8bn We also launched an asset management business to manage funds for third parties and generate greater income from our investment skills

Alliance Trust Savings Group

Our financial services and pensions subsidiary, Alliance Trust Savings, saw a 25% increase in revenue over the year to £10 8m Revenue growth is stated after annualising the contribution from Alliance Trust Pensions which we acquired at the end of 2005, actual Alliance Trust Savings revenue growth this year was 77% Total customer assets that Alliance Trust Savings administers for its customers grew by 42% to almost £4 8bn while the number of customers rose 23% to over 44,000 We have seen growth in the number of plans administered across all products over the year

Alliance Trust Savings offers investment dealing and a range of investment wrappers, such as ISAs and PEPs, as well as Investment Plans including First Steps, an investment account for children Through Alliance Trust Savings, customers can also invest in a choice of Self Invested Personal Pensions (SIPPs) either the Full SIPP that allows any investment permitted by HM Revenue & Customs, or the investment dealing SIPP (the Select Pension) where individual investors can select from more than 3,000 investment choices Alliance Trust Savings also offers Small Self Administered Schemes (SSASs), which are pensions that are aimed at directors of private companies The integration of Wolanski & Co Trustees Limited, now renamed Alliance Trust Pensions Limited, into Alliance Trust Savings continued in 2006 and will be completed in 2007

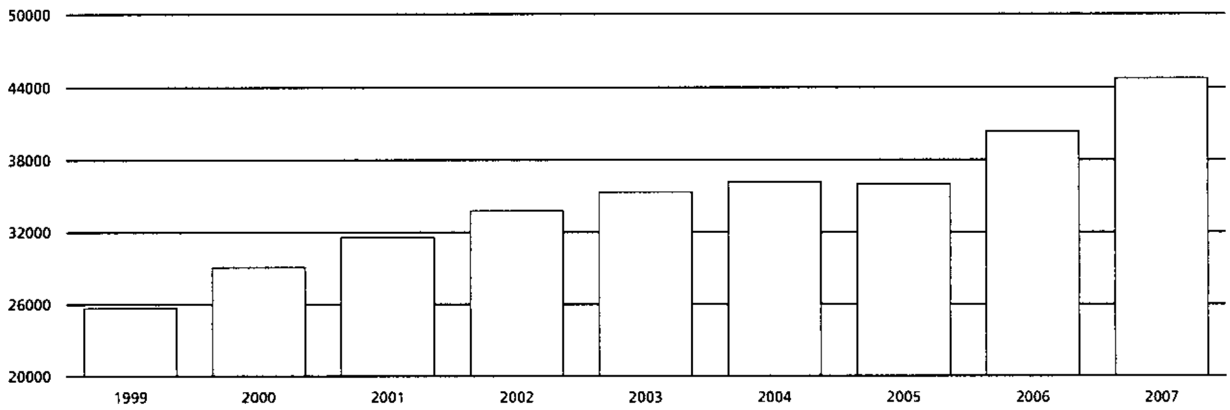
The government introduced pension simplification on A Day (6 April 2006), creating a more flexible tax regime for pensions This has stimulated interest in SIPPs and the number of SIPPs administered by Alliance Trust Savings rose 28% In an expanding and competitive market, Alliance Trust Savings is a top ten SIPP provider with more than 11,500 SIPPs From 6 April 2007, any firm wishing to operate a SIPP scheme is required to be authorised by the Financial Services Authority and the Financial Services Authority authorised Alliance Trust Savings ahead of this deadline

Alliance Trust Savings Group Plans as at 31 January 2007

	PLANS		CUSTOMER ASSETS	
	Numbers	% change over one year	£m	% change over one year
Select Investment Plan	17,472	61	369	34
Select PEP	18,479	4	1,050	11
Select ISA	19,084	8	515	21
Select SIPP	6,245	16	320	29
Full SIPP*	5,581	46	2,110	81
SSAS*	558	12	411	36
	67,419	20	4,775	42

* Estimated value of assets

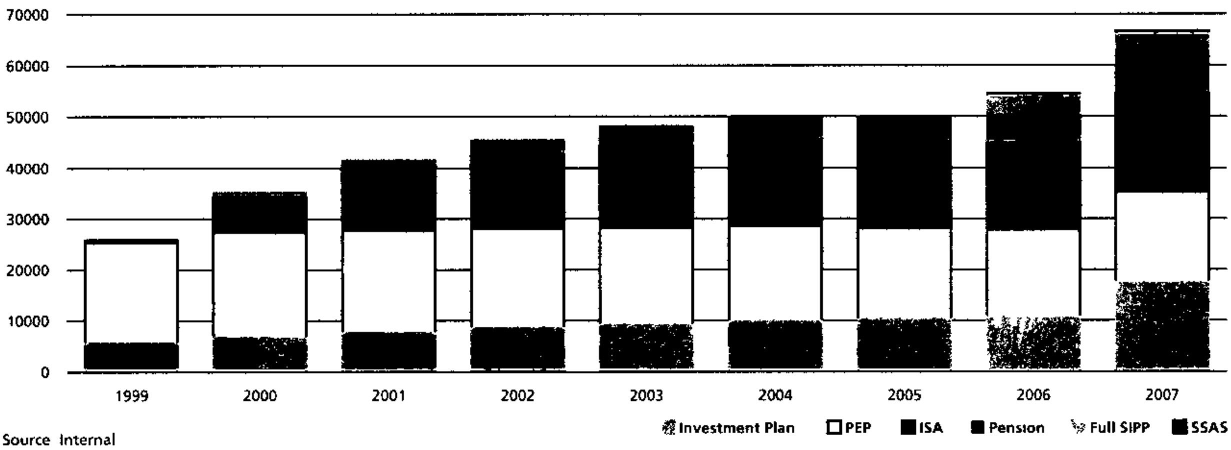
Alliance Trust Savings Group Customer Numbers



Source Internal

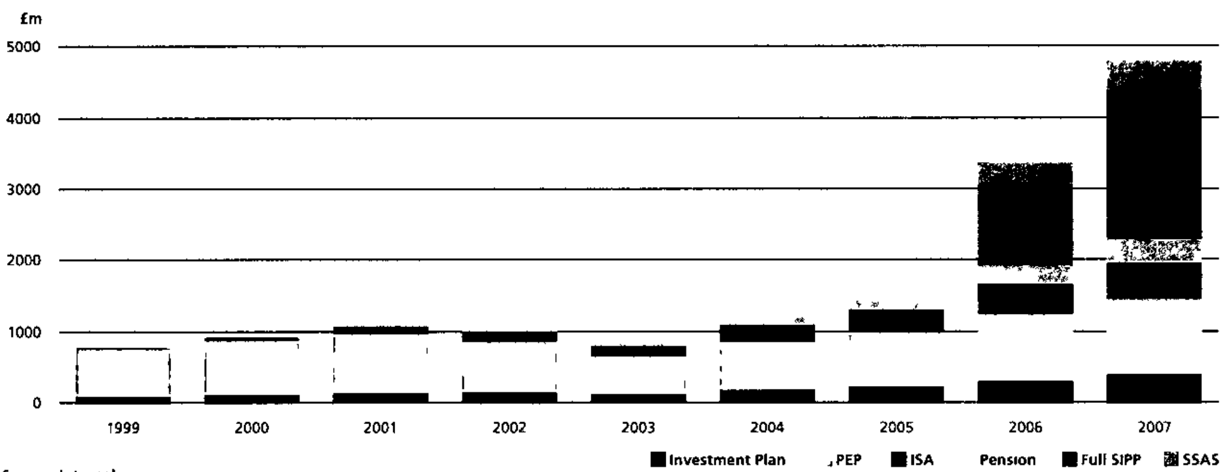
Note From 2006 customer numbers have been extracted from our new IT platform which provides enhanced analysis capability

Alliance Trust Savings Group Plans



Source Internal

Customer Assets administered by Alliance Trust Savings Group



Source Internal

In order to deliver a modern and efficient service to its customers, Alliance Trust Savings needed to put in a new technology platform across the financial services business The platform is now in operation, enabling the delivery of statements and other information in a way more suited to customers' needs At the time of the switch there were some teething problems but these have been resolved and the new system has now been bedded in Importantly, the new technology allows Alliance Trust Savings to offer many new services that are essential in order to provide the best financial services to customers

The most notable new service that the new system allows is Alliance Trust Online, our innovative online dealing service The online service was piloted with customers from November 2006 and launched to the wider market in March 2007 At 31 January 2007 around 25% of investment dealing customers had registered for a personal ID and PIN to use Alliance Trust Online This service greatly enhances the way customers do business with Alliance Trust Savings since it allows them to deal real time and manage accounts online at any time The feedback from customers using the online service has been extremely positive and they have welcomed features such as being able to manage money within a plan free of charge, buy and sell investments at the same time or use new research tools to look at the history and performance of potential investments from the wide investment choice on offer We have already acted on suggestions from customers to make improvements to the online service and will continue to add features and investment choice to the investment dealing service, whether online or offline Alliance Trust Savings continues to give customers a choice of whether they give investment instructions online, by mail, or phone

The open architecture investment dealing service that allows customers to select from a range of investment choices and to hold SIPPs and other wrappers, such as ISAs, with the same provider has attracted interest among other investment service providers Some of our peers have acknowledged our expertise in providing wrapper services for investment trust shareholders and recommended that their customers transfer to our service During the year we saw transfers of business from Martin Currie and Investec We believe this arrangement will become more popular, enabling fund management firms to focus all their efforts towards delivering investment returns while leaving wrapper management and dealing services to those companies that choose to invest significant resource in this area

Shareholder enfranchisement

Alliance Trust believes that all investors should have equal rights whether they hold shares directly or on a nominee register For the merger vote during the year, investors who held shares in Alliance Trust PLC through Alliance Trust Savings received the same corporate communications as those on the direct register We believe that all investors should have a voice even though, by law, investors who hold shares through a nominee do not automatically have the right to receive communications, attend AGMs or vote Given the increase in people who hold shares through nominee accounts in the UK, we believe that communication between companies and individual investors should be improved

In line with a wider trend to acknowledge equal rights of all shareholders to communications, Alliance Trust Savings last year introduced a new shareholder enfranchisement service Having informed customers about the new service, Alliance Trust Savings has invited companies whose shares are available on its platform to take part in this service Once a company agrees to participate, Alliance Trust Savings will channel corporate communications to its investors and invite them to vote Alliance Trust Savings will then vote its holding in that company in proportion to the instructions it receives from those participating customers who hold that company's shares We believe this new service will benefit individual investors in our nominee by giving them a greater voice in company matters and help many companies reach more of their investors

Asset management

Alliance Trust is seeking to create shareholder value by carrying out asset management for third parties through its subsidiaries, drawing on existing investment skills within the Company Last year the Company formed an asset management subsidiary based in Hong Kong called AT Asset Management (Asia Pacific) to spearhead this initiative and manage funds for third parties either directly through managed accounts or by running specialist funds This initiative is aimed at generating more income for shareholders through asset management fees paid to the subsidiary as well as spreading costs across a wider pool of assets The business will also give shareholders and customers a greater number of more focused options to manage their investment portfolios

AT Asset Management (Asia Pacific) manages the portfolio of two new open ended investment companies (OEICs) that were successfully launched in November The funds are Premier Alliance Trust Asia Pacific Equity Fund and Premier Alliance Trust Japan Equity Fund Although this is still a fledgling business the funds attracted £5 6m of external capital by 31 January 2007

Alliance Trust is continuing to add to its asset management skills and is developing products suitable for third parties, focused around the investment goals of different types of investors Our focus is on those areas where the Company has the greatest expertise and we will target those markets where we see demand for our specialist investment approach

Private Equity

Alliance Trust acquired the private equity company Albany Venture Managers (Holdings) Limited in November 2006 The experienced management team of the new subsidiary which specialises in early stage technology and life sciences has strengthened the private equity capability of Alliance Trust PLC The team manages private equity funds for third parties, thus generating fees for the Group, as well as managing the Company's own investments As at 31 January 2007, Albany Ventures had £25m of committed equity within the three venture capital funds that it manages for third parties

Business review
Employees and environment

We invest significantly in our employees and their development, here we detail how they are involved in our business

Employees

As at 31 January 2007 the Company and its subsidiaries had 297 employees, an increase of 30% year on year Of these, 58% work within Alliance Trust Savings supporting and servicing the needs of more than 44,000 customers and advisers Over 60% of new employees joined the financial service subsidiary businesses to support the business growth in Alliance Trust Savings and Alliance Trust Pensions, with the remainder supporting the group, including the subsidiaries

Alliance Trust aims to be an employer of choice Our recruitment policy is to attract world class individuals so they bring their skills, knowledge and experience to the group to support our plans for growth We are also committed to retaining and developing our existing members of staff, enhancing their skills and competencies for their current roles and for future roles, promoting internally where the opportunity arises to do so

The Company is committed to a policy of equal treatment of all employees and applicants for employment and abides by all legislation to prevent discrimination against individuals on race, sex, sexual preference, religion, disability or age Where employees become disabled we make all reasonable adjustments to ensure that wherever practicable they are able to continue in employment Disabled employees have the same training, career development and promotion opportunities as their able bodied colleagues

The Alliance Trust Academy

The Alliance Trust Academy was launched in October 2006 to carry out all of the Company's internal training All of our staff have access to training and development and 55 have passed exams this year In particular, we support programmes of study relevant to our business, such as the Investment Administration Qualification from the Securities and Investment Institute for all administrators and the APMP qualification of the Association for Project Management

Our training programme incorporates a leadership and management skills development programme designed to help staff meet the leadership challenges that lie ahead and develop the future leaders within our organisation Line managers and the leadership team participate in management development modules designed to fit the different stages of growth Modules include Managing Change and Innovation, Leading, Inspiring and Influencing and Developing People

The Company aims to provide a collaborative working environment where staff can raise issues and put forward ideas within all areas of the business This includes regular 'Town Hall' meetings to which all staff are invited where they have the opportunity to hear presentations, updates on performance and developments within the group and to put questions to the management team This year we also

launched an intranet providing information on group departments and businesses from Dundee to Hong Kong and an additional opportunity to ask questions to our Chief Executive The Chief Executive's annual 'State of the Nation' letter to all staff looks back over achievements in the previous year and looks forward to our strategy and the high level business plans for the forthcoming year This is supported by team meetings and department briefings throughout the year as well as regular 'all staff' communications updating staff on progress and key achievements, from the names of staff passing exams to the launch of new business initiatives
We will continue to develop new methods of sharing information across the group to meet the changing needs of the business

Environmental matters

Green Disclosures

As the Company is office based there is limited scope for reduction in the use of resources However, we do encourage the recycling of packaging and use of energy efficient equipment The Company has recently decided to relocate from its current three locations around Dundee to a new office located in the city centre and has committed to engaging constructively with the Scottish Executive's Energy Policy Team on the environmental, waste and resource issues connected with this project The greenhouse gas emissions attributable to our activities as calculated in accordance with reporting guidelines issued by the Department for Environment, Food and Rural Affairs amounted to 289 (2006 197) tonnes of carbon dioxide which is the equivalent of operating 25 6 (2005 17 4) three bar electric fires for a year The calculation is based on a combination of office heat and power and employee travel and is reflective of the employee numbers and travel activity within the Group over the year

Business review
Financial performance

Our financial results are reported on in this section

Impact of the merger

On 21 June 2006 the merger with the Second Alliance Trust became effective and the Company divided its ordinary shares on the basis of ten new shares for every one previously held The Company issued new ordinary shares representing 25% of its enlarged share capital to Second Alliance Trust shareholders and the Company acquired the Second Alliance Trust which represented 25% of its enlarged net assets

The profit reported for the year to 31 January 2007 reflects that earned by the Company from 1 February 2006 until the merger and that earned by the enlarged company after the merger The income, expenditure or profit for the comparative period has not been restated and therefore excludes any pre merger contribution from the Second Alliance Trust Reported earnings, NAV and dividends per share for the periods prior to the merger have been restated to reflect the ten for one subdivision of the Company's shares

Total Return

The Company delivers returns to its shareholders through capital growth and income

For the year to 31 January 2007, the revenue earnings per share were 8 66p (8 70p) and the capital return was 23 47p (78 47p)

The total return of 32 13p represents a return of 7 95% on the opening net asset value of £4 04 per share

Company Revenue

Total revenue was £67 9 million compared with £54 5 million last year

The company benefited from a number of special dividends during the year particularly from the mining sector Mineral rights income almost doubled to £1 6 million on higher oil prices and greater activity For the first year the Company's property portfolio made a significant contribution to earnings generating income of £1 9 million (£81,000)

Deposit interest totalled £4 8 million reflecting our defensive allocation of assets to cash in the later part of the year

Capital Performance

The total capital return for the year was £142 million with the Company enjoying significant gains on its portfolio in the second half of the year

During the year, the net asset value per share rose by 4 3% The acceleration of dividend payments whereby shareholders received on 31 January 2007 a dividend of 1 875p which would previously have been paid after the year end marginally reduced the capital performance during the period by 0 5%

The best performing regions, relative to their benchmark, were UK Small, Asia Pacific & Europe which comprise around 30% of the portfolio at the year end In absolute terms these portfolios were up 22 9%, 11 3% and 14 4% respectively

During the year the biggest changes to the portfolio allocation was to more than double our exposure to both private equity and real estate

During the year the Company's share price rose by 4 7% to 365 5p and the discount fell to 13 29%

Expenses

The Company is completing the modernisation of its infrastructure which includes the introduction of new technology systems and investment in our staff We consider this investment essential to position the Company to deliver superior performance going forward

The Company's expenditure rose from £6 5 million to £9 9 million A significant proportion of this increase can be attributed to the Company assuming, from the date of the Merger, costs that had previously been borne by the Second Alliance Trust The budgeted costs of the Second Alliance Trust for the period from the date of the Merger to 31 January 2007 were about £1 6 million

Other increases were attributable to increased staff costs including incentives representing the full year impact of additional investment and other personnel taken on last year The Company also increased its investment in technology installing a new system to provide the Investment Team with the tools to effectively manage the equity portfolio Also during the year, the Company incurred expenditure in incorporating its Hong Kong branch into an asset management subsidiary The Company now pays an asset management fee to this subsidiary for the management of our Asian equity portfolio

The Company calculates its total expense ratio ("TER") by dividing total administrative expenditure by its year end net asset value On this basis the TER for the year was 0 35% However the year end net assets include those acquired from the Second Alliance Trust whereas the expenditure of the Second Alliance Trust for the period from 1 February 2006 to the Merger were not borne by the Company The proforma TER, calculated by taking the total administrative expenditure of the Company and the Second Alliance Trust for the year to 31 January 2007, was 0 38% The Directors maintain Alliance Trust's commitment to low costs and our objective is that the TER of the Company will remain in the lower quartile of Investment Trusts in our sector

Summary of Group profit before taxation (£000)

	31 January 2007	31 January 2006
Company income		
revenue	65,506	51,529
capital	147,647	396,948
	213,153	448,477
Subsidiaries income		
revenue	15,526	9,949
capital	1,626	1,209
	17,152	11,158
Total income	230,305	459,635
Merger expenses	(2,461)	0
Company expenses	(9,866)	(6,533)
Subsidiary expenses	(15,776)	(7,697)
	(28,103)	(14,230)
Company finance costs	(1,846)	(392)
Subsidiaries finance costs	(2,577)	(1,909)
	(4,423)	(2,301)
Foreign Exchange (losses)/gains	(1,651)	1,165
Consolidated profit before taxation	196,128	444,269

Note

Both years exclude any pre merger contribution from the Second Alliance Trust Year to 31 January 2007 includes post merger contribution from assets acquired from the former Second Alliance Trust

In addition to its administrative expenditure the Company incurred costs of £2 5 million in connection with the Merger In accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" we have treated that proportion of incentive costs which relate to the capital performance of the Company's investments, two thirds of the costs of any borrowings and the costs of the Merger as a charge against capital profits

Dividend

An interim dividend of 3 75p (adjusted for the share split) was paid on 16 June 2006, a second interim dividend of 1 875p was paid on 31 January 2007 and a third interim dividend of 1 95p will be paid on 30 April 2007 No final dividend will be paid Total dividends payable for the year to 31 January 2007 will therefore be 7 575p, an increase of 3 1% on last year's dividend payment

The Company has adopted a quarterly dividend policy and with respect to each financial year we will pay interim dividends on or around 31 July, 31 October, 31 January and 30 April Under normal circumstances the first three quarterly dividends of each financial year will be the same and we will indicate their level in advance The Directors will use the fourth quarterly dividend as an opportunity to increase the total dividend payable for that financial year

In the absence of any unforeseen developments, we expect to be able to recommend quarterly interim dividends of 1 9p payable on or around 31 July 2007, 31 October 2007 and 31 January 2008, and a fourth interim dividend of at least 1 9p payable on or around 30 April 2008

Subsidiaries

Income earned by Alliance Trust Savings rose to another record Customer fees totalled £7 5 million of which £4 1 million was generated by Alliance Trust Pensions Limited, the company we acquired last year and formerly called Wolanski & Co Trustees Limited Net interest earnings were £3 3 million and earnings on the Company's capital were £0 8 million We continue to invest for further growth and Alliance Trust Savings group operating costs rose to £15 3 million

Alliance Trust Finance reported a profit before tax of £1 24 million During the year Alliance Trust Finance paid dividends of £3 million returning profits to the Company to boost distributable reserves and provide additional capital for investment

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†
1997	1,359	130	34 9	5 86	25 71	5 55	2 69
1998	1,565	203	38 8	6 49	40 25	5 90	3 10
1999	1,730	164	40 1	6 60	32 45	6 25	3 42
2000	1,888	156	41 0*	6 89	31 01	6 45	3 74
2001	1,976	87	40 3	6 73	17 23	6 65	3 91
2002	1,674	(305)	45 0	7 48	(60 47)	6 85	3 31
2003	1,206	(469)	43 6	7 16	(93 08)	6 95	2 39
2004	1,476	268	46 1	7 54	53 15	7 05	2 92
2005**	1,635	147	47 5	7 50	29 12	7 18	3 24
2006	2,037	395	54 5	8 70	78 47	7 35	4 04
2007	2,832	148	67 9	8 66	23 47	7 58	4 22

Notes

* From 2000, income excludes the associated tax credit

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

† Restated to reflect 10 1 subdivision

Business review
Risk factors

Risk Management

The Group has a risk management framework in place which provides a structured and consistent process for identifying, assessing and responding to risks relating to its objectives

Risk Management operates throughout the Group and is monitored by the Alliance Trust PLC Board, Audit Committee, Asset Liability and Income Committee ('ALICo'), Chief Executive's Group and Risk Management Committee The Group Audit, Compliance and Risk Management functions provide direct support to these bodies The roles of the Board, Audit Committee, ALICo and Chief Executive's Group are outlined within pages 34 to 37 The Risk Management Committee meets monthly to assess and monitor movements in risk exposure and considers areas of significant risk, and directs action accordingly Membership of the Committee includes the Group's Finance Director, Chief Operating Officer and heads of function for Audit, Compliance and Risk Management

The risk management framework categorises risk under four broad headings, investment risk, operational risk, business risk and liquidity risk Some of the major potential risks which the Group has managed during the year are also indicated below

Investment Risk

Market risk in respect of specific asset class investment decisions, including subsequent performance of an individual investment is the primary element of this category Within Alliance Trust Savings the risk definition extends to credit risk exposure concentrations in respect of its banking deposits

Asset allocation oversight is provided by ALICo Individual investment managers base their investment decisions on the parameters set by ALICo, which in turn operate within Board set limits

During 2006 ALICo directed a reallocation of assets to cash, in anticipation of an equity price correction

Operational Risk

Operational risk is the risk arising from inadequate or failed processes, people and systems or from external factors affecting these

The major source of potential operational risk for the Group is in the process for managing investments In the course of 2006 the implementation of new IT systems, as well as the integration of new subsidiaries within Alliance Trust Savings have been new areas of operational risk

These have been managed through the project management framework which requires risk identification and a mitigation process as an integral part of all business developments Once part of the ongoing business, all processes are subject to regular risk assessment and review of the controls operated This is refreshed quarterly

The systems that we have implemented provide significantly improved management information and in Alliance Trust Savings robust customer authentication for both phone and online services Furthermore we have placed our systems with a secure and reputable third party organisation who provides professional disaster recovery facilities and services

The future development of Alliance Trust will include further changes in operational systems, processes and people This will be managed within the risk management framework

Business Risk

This risk encompasses both external and strategic risks External risks arise from the political, legal, regulatory and economic policy environments in which the Group operates

Strategic risks arise from the analysis, design and implementation of the Group's business model and key decisions on capital allocations and individual investments New investments in asset management and private equity, as well as the introduction of online trading to the existing Alliance Trust Savings business, create potential new risks Strategic risk is addressed by the Board and its committees supported by management groups

Within financial services subsidiaries the level of regulatory change is high and preparation continues for the introduction of major pieces of legislation such as the Markets in Financial Instruments Directive, SIPP regulation and the Capital Requirements Directive We have a dedicated and professional department, Compliance, whose role is to identify where we are subject to regulation and assist in ensuring that processes are compliant

Liquidity Risk

This risk is that of ensuring that the organisation has sufficient cash or cash like funds to meet payments which must be made as they fall due The cash position is monitored daily across the organisation Surplus funds are deposited in the market to add to the business income

In order to maintain our Investment Trust status and the related tax treatment the Board closely monitors compliance with current regulatory requirements

Non-Executive Directors

1

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5

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4

■ Remuneration Committee
● Audit Committee
▲ Nomination Committee

1 Lesley Knox ▲

Chairman

MA

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

Lesley Knox (53) qualified as a lawyer and worked in the UK and US advising companies on a range of commercial matters Subsequently she worked as a corporate finance adviser, first with Kleinwort Benson where in 1996 she became a group director, and was then a founder director of British Linen Advisers She was also Head of Institutional Asset Management at Kleinwort Benson Investment Management which provided investment services to clients worldwide

Other directorships include Hays PLC and HMV Group PLC

2 Christopher Masters ■●▲

CBE FRSE BSc PhD AKC

Joined the board 2002, Chairman of the Remuneration Committee

Christopher Masters (59) took his doctorate in chemistry at Leeds University and worked for Shell in both the UK and the Netherlands He joined Christian Salvesen as business development manager in 1979, becoming Director of Planning for its US operation and Chief Executive from 1989 to 1997 He was then appointed Executive Chairman of Aggreko PLC, a post he held until January 2002 He is currently Chairman of Sagentia AG and also chairs the Festival City Theatres Trust He will become the Senior Independent Director

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

3 William Jack ■●▲

Joined the board 2000, Senior Independent Director

William Jack (62) joined the General Accident Fire & Life Assurance Company in 1973, and was the Managing Director of GA Life (subsequently CGU Life) with responsibility for the UK life and unit trust business, from 1991 to 2000 He will stand down from the Board following the AGM

Other directorships include Skipton Group Holdings Limited and Skipton Building Society

4 Gordon McQueen ■●▲

BSc (Hons) CA FCIBS

Joined the board 2004, Chairman of the Audit Committee

Gordon McQueen (60) graduated in chemistry and trained as an equity portfolio fund manager before embarking on a banking career He is a former Chairman and Chief Executive of HBOS Treasury Services PLC He was Finance Director of Bank of Scotland and, until the end of 2003, served on the boards of both HBOS PLC and Halifax PLC as an executive director following their merger in 2001 He has experience in many areas of the financial services business, particularly in international banking, corporate and commercial banking, treasury and finance

Other directorships include Scottish Mortgage Investment Trust PLC, JPMorgan Mid Cap Investment Trust PLC and Shaftesbury PLC

5 Clare Salmon ■

MA

Joined the board 2005

Clare Salmon (43) 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

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

Executive Directors

1

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2

1 Alan Harden ▲
Chief Executive

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

Alan Harden (49) started his career in the investment industry in the UK in 1978, moving to Europe in 1980 and then on to Cyprus two years later From 1984 to 1990 he was with Wardley Investment Services (part of HSBC group) and relocated to Dubai in 1985 In 1988 he moved to Hong Kong as a Senior Investment Manager In 1990 he joined Standard Chartered Bank as Managing Director of Scimitar Asset Management based in Singapore In 1994 he became Global Head of Investment Services In 2000 he moved to Citigroup Asset Management in Japan, as Managing Director and Head of the Asset Management business in the Asia Pacific region and a member of the Global Executive Committee

Alan Harden is a director of the Scottish Community Foundation

2 David Deards
Finance Director

BA (Hons) ACA

Joined the Company and the board 2003, as Finance Director

David Deards (47) read zoology at Oxford and qualified as a chartered accountant with Arthur Young (now Ernst & Young) before joining Ansbacher & Co, where he gained considerable experience in corporate finance and banking and investment product development, and became a director in 1995

3 Janet Pope
Chief Executive Alliance Trust Savings

MSc MBA

Joined the Company and the board 2006, as Chief Executive, Alliance Trust Savings

Janet Pope (46) read Economics at the London School of Economics and gained her MBA from City University Her early career was spent at Girobank plc as an economist and in corporate development, including a pivotal role in the successful privatisation of the company In 1990 she joined Standard Chartered Bank where she led multiple strategic initiatives and was responsible for the bank's retail banking business in Africa and the UK, and its outsourced technology services In 2000 she moved to Visa International where she was Executive Vice President, Global Strategy, leading Visa's strategic development initiatives worldwide

Other directorships include non executive positions in the Department for Work and Pensions and the Department for Communities and Local Government

Katherine Garrett Cox
Will join the Company as Chief Investment Officer and Director 1 May 2007

Katherine Garrett Cox (39) read History at Durham University Her early career was spent in US Fund Management with Fidelity Investments and UNI Storebrand before moving to Hill Samuel Asset Management as their Investment Director, Head of American Equities In 2000 she joined Aberdeen Asset Management becoming an Executive Director in 2001 and Chief Executive of their operating subsidiary Aberdeen Asset Management Limited In 2004 she became Chief Investment Officer for Morley Fund Management and a Board Director of a number of their subsidiary companies with specific responsibility for fund management teams in London, Dublin and Boston

Katherine Garrett Cox is a trustee of The Baring Foundation

Corporate governance

The Company is an investment company which in addition to investing in equities, securities and property also invests in subsidiary companies where the Board believes that there is an opportunity for increasing shareholder value in the long term These subsidiary companies may be incorporated by the Company or may be acquired

The Company seeks approval from HM Revenue and Customs each year to maintain its status as an Investment Trust, the last such approval being given for the year ending January 2006 The Company has continued to conduct its affairs in a manner to enable it to continue to keep that approval

The Company has complied with all of the provisions of the Revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 and with the new code issued in June 2006 In addition the Company has complied with the AIC Code of Corporate Governance dated February 2006

The Board

In addition to the Chairman, the Board comprises four Non Executive Directors, all of whom are considered to be independent, and three Executive Directors In the course of the year the Board composition has changed with the retiral of our Investment Director Alan Young and our Corporate Development Director Sheila Ruckley Both of these Directors had been with the Company for many years and gave valuable service during their time in office Janet Pope was appointed as Chief Executive Alliance Trust Savings and an Executive Director during the year and the appointment of Katherine Garrett Cox as Chief Investment Officer and Executive Director, with effect from May 2007, was announced Both will stand for election at the AGM Their biographies, along with those of the other directors, appear on pages 32 and 33

The Board collectively is tasked with the setting of the Company's objectives and business plans, providing effective leadership, setting an effective framework of prudent controls to enable risk within the business to be managed, and reviewing on an ongoing basis the performance of the business

The Board reserves the making of certain decisions to itself and in other cases delegates the power to committees or to the decision of the Executive Directors and management The areas that the Board has reserved to itself include

- Approval of investment strategy and investment policy
- Proposals and 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 capital expenditure contracts
- Approval of the asset classes in which any Group company may invest
- Approval of the purpose of and the type of derivative instruments which any Group company may use

- Approval of material changes to the percentage mix of asset allocation by asset class and geographical region
- Approval of any business contracts whose value is in excess of defined limits
- Major changes in employment and remuneration structures for employees
- The making of any political or charitable donation
- Prosecution, defence or settlement of any material litigation or civil proceedings

Each year the Board agrees an annual Board Meeting timetable to ensure that all aspects of the performance of the company and its management are reviewed This includes

- **Strategy** – the Board holds an annual meeting at which the performance of the Company is reviewed against its business plan and future plans are discussed including areas of potential growth or where a realignment of effort is required In 2006, it included formal presentations on economic forecasts, portfolio performance and asset allocation, the development of the SIPP business and the creation of the Hong Kong asset management business
- **Asset Allocation** – the Board receives an update at each meeting with a quarterly in depth review of the performance of the investment team
- **Subsidiary Returns** – the Board receives an update at each meeting on the financial performance of its subsidiaries with a quarterly in depth review
- **Risk** – the Board receives regular updates and reviews on an annual basis the performance of the management and staff in their management of risk within the business This year as a consequence of the introduction of The International Convergence of Capital Measurement and Capital Standards – A Revised Framework (Basel 2), which impacts on the FSA regulated subsidiaries of the Company, the opportunity was taken to undertake a full review of the relevant subsidiaries' activities
- **Compliance** – the Board receives regular updates and on an annual basis receives and considers a full report through the Audit Committee of the state of compliance of the Group and of the effectiveness of the internal controls within the business
- **Progress Reporting** – at each meeting the Board receives reports on progress of major projects against the targets and objectives that have been set and agreed

Additionally, separate presentations have been made by senior members of management and external advisers in the course of the year to the Board on shareholder relations, investment support tools, office accommodation, investment performance, project management, asset management, and the online share dealing service Considerable time was taken this year on consideration of the impact of the new IT infrastructure and in reviewing the steps taken by management to reduce the impact of the initial problems that had been experienced

The Board Committees report to the Board on their activities as appropriate during the course of the year

The Board held ten scheduled meetings during the year However this year, due to the importance of the merger with the Second Alliance Trust, a number of additional meetings took place Details of attendance by Directors at Board and Board Committee meetings are set out below

In addition to attending Board and Committee meetings the Non Executive Directors also make themselves available between the scheduled meetings to provide guidance and advice in relation to the business activities and governance of the Company The contribution of individual Directors should not therefore be assessed solely by reference to the number of meetings attended On those occasions where Directors were unable to attend meetings as a result of business or personal commitments they had the opportunity to review the papers beforehand and raise issues or questions with the Chairman or Committee Chairman as appropriate

Number of meetings attended in the year

	BOARD		AUDIT		REMUNERATION		NOMINATION	
Director	**Actual**	**Possible**	**Actual**	**Possible**	**Actual**	**Possible**	**Actual**	**Possible**
Lesley Knox	12	12	–	–	–	–	3	3
Alan Harden	12	12	–	–	–	–	3	3
David Deards	12	12	–	–	–	–	–	–
Janet Pope	2	2	–	–	–	–	–	–
William Jack	9	12	3	3	6	7	3	3
Christopher Masters	12	12	3	4	7	7	3	3
Gordon McQueen	12	12	4	4	6	7	3	3
Clare Salmon	9	12	0	1	3	7	–	–

Non Executive Directors

The Chairman is Lesley Knox and the Senior Independent Director is William Jack The Company is committed to maintaining a strong representation of independent non executives on the Board

At the AGM William Jack will not be seeking re election and will stand down as a Director The role of Senior Independent Director will, following the AGM, be assumed by Christopher Masters

The Non Executive Directors meet as a group normally twice a year On one of these occasions, the principal purpose is to discuss management performance and succession

Executive Directors

Alan Harden is the Chief Executive and has overall control and responsibility for delivering the objectives agreed by the Board and for the day to day running of the Group David Deards is the Finance Director and is also responsible for the Audit and Risk functions within the business, Janet Pope is responsible for business strategy as well as the performance of Alliance Trust Savings

The Executive Directors are also represented on each of the Boards of the subsidiary companies in the Group No payments are received in respect of such directorships

Company Secretary

Donald McPherson was appointed Company Secretary on 10 July 2006 The Company Secretary is responsible for advising the board on matters of corporate governance as well as legal compliance matters The Directors always have access to the Company Secretary for information and assistance as required

Board Committees

Various committees have been instituted to assist decision making and internal governance The three committees reporting to the Board are

- Audit Committee
- Nomination Committee
- Remuneration Committee

Audit Committee

The members of the Committee are

- Gordon McQueen *Chairman*
- William Jack
- Christopher Masters
- Clare Salmon was also a member until 16 June 2006

The work of the Committee during the year is explained in more detail in the Accountability and Audit section of the report on page 39

Remuneration Committee

The members of the Committee are

- Christopher Masters *Chairman*
- William Jack
- Gordon McQueen
- Clare Salmon

The work of the Committee during the year is explained in more detail in the Remuneration section of the report on page 42

Nomination Committee

The members of the Committee are

- Lesley Knox *Chairman*
- William Jack
- Christopher Masters
- Gordon McQueen
- Alan Harden

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

In the course of this year the Committee considered the appointments of two new executive directors Given the retirement of Alan Young during the year the Committee engaged a firm of external search consultants to seek a suitable candidate for the role of Chief Investment Officer as well as using the existing network of contacts available to the Company through its senior management team After a series of meetings and interviews, Katherine Garrett Cox was identified as the preferred candidate

The Committee determined that it would be appropriate to appoint a Chief Executive for Alliance Trust Savings with Alan Harden taking on the role of chairman of that board The Company had engaged Ms Pope as a consultant earlier in the year as she had been identified at that point as having key skills required at a strategic level which she had acquired in a number of financial services businesses Having knowledge of Ms Pope's abilities and evidence of her demonstrable skills through the work that she had been engaged to carry out as a consultant it was considered appropriate that the services of external agencies to seek other candidates would not be required

More recently, the Committee has reviewed the composition of the Board and has instructed a search agency to seek appropriate candidates for a new Non Executive Director

Other Committees

In the course of the year the Board recognised that the increasing diversification of the group and the merger with the Second Alliance Trust required a review of the structure of its management to clarify and, where appropriate, delegate decision making from the Board to the Executive Directors and to senior managers The merger has allowed senior management to concentrate less on the complexities of administering two separate listed companies and more on improving the effectiveness and profitability of the business As a result of that review, the Chief Executive's Group was established and the remit of the Group Executive Committee was redefined and given clear terms of reference

Additionally, the opportunity was taken to realign the Board structure of Alliance Trust Savings to reflect its operational nature Alan Harden was appointed Chairman and Janet Pope the Chief Executive of that company Lesley Knox and Gordon McQueen continued as Non Executive Directors The Board of that company, which also includes its senior management, continues to meet on a quarterly basis and reports on its activities to the Board of Alliance Trust PLC

The following are the major non Board committees

Asset Liability and Income Committee (ALICo)

The purpose of this Executive Committee is to manage the capital of the company within the investment and asset allocation strategies agreed with the Board and the risk parameters adopted by the Company The Committee, which meets on a monthly basis, comprises the Chief Executive, the Finance Director, and the Investment Director together with others nominated by the Chief Executive The current members are listed on page 10

Chief Executive's Group (CEG)

The purpose of this Executive Committee is to assist the Chief Executive in the exercise of his responsibilities both in respect of the Company and the Group The CEG comprises the Chief Executive, Finance Director, Chief Investment Officer, Chief Executive of Alliance Trust Savings and Chief Operating Officer The CEG meets on a weekly basis to review business activities and take decisions on all significant business decisions that are not reserved to the Board CEG assists in the formulation of strategy for the Company and provides an additional level of monitoring on business performance

Group Executive Committee

This Committee comprises the members of the Chief Executive's Group together with the Heads of the major functions within the Group and serves to ensure the effective development of policy and its communication through the Group

Risk Management Committee

This Committee comprises the Finance Director, who is the Director responsible for risk, and senior managers who oversee and review the control, monitoring and reporting framework and related procedures for risk management within the organisation It is responsible for overseeing that management effectively apply a risk management framework for all relevant categories of risk impacting on Alliance Trust PLC and its subsidiaries

Authorisation Committee

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

Board and Committee evaluation

The Board carries out annual evaluations of its own performance and that of the principal committees to identify where improvements can be made This evaluation was carried out by way of questionnaires followed up by structured interviews with each of the Directors during which the performance of the Board, the Committees on which the Director serves and individual performances could be discussed The interviews were undertaken by the Chairman with the Company Secretary in attendance

The evaluations identified no serious concerns over the functioning of the Board or its committees There was a general acknowledgement that the successful completion of the merger with the Second Alliance Trust had given the Board greater freedom to focus on business issues rather than being constrained by the need to maintain the distinction between the two trusts Several topics were identified as justifying further consideration during the annual strategy session in June

Board and management succession planning was identified as an area which would continue to require focus as Alliance Trust and its subsidiaries developed their activities, and it was agreed that this would be kept under review by the Nomination Committee

The evaluation also helped to refine the information needs of directors under the new structure and identified a number of actions which could be taken to improve reporting for the future

Director Development

The Board recognise the importance of its members receiving ongoing development and having a full understanding of the business In the course of the year one new Board appointment was made as an Executive Director The Director received an induction including separate meetings with all of the senior management team and information as to the Company and its policies and internal processes The Director was also provided with training, as appropriate, on the role and responsibilities of a director of a publicly listed company

On an ongoing basis, the Board members are provided with updates on corporate governance issues and business issues impacting on the Company The Directors all attend the AGM where they have the opportunity to meet with shareholders and meetings take place throughout the year with major and institutional shareholders, such meetings normally being attended by the Chairman or Chief Executive

External Non Executive appointments

The Board believe that it is to the benefit of the Company that Executive Directors have exposure to other organisations in a non executive capacity provided always that their commitment to the Company is undiluted by such appointments The Company policy for such appointments incorporates a number of safeguards to ensure that this is the case All payments received in respect of non executive appointments which have been approved under the Company's policy for such external appointments may be retained by the Executive Director

Janet Pope holds non executive positions in the Rent Service, part of the Department for Work and Pensions, and the Department for Communities and Local Government She is paid and retains £4,000 per annum in respect of the first of these positions and reimbursement of expenses only in respect of the second appointment

Alan Harden holds non executive positions with Scottish Community Foundation and SCF (Events) Limited, neither of which are remunerated

Access to advice

All Directors have access to independent professional advice if necessary No such professional advice was required during the year

Directors' and Officers' Indemnification

The Company provides directors' and officers' liability insurance giving cover for legal action brought against its directors as a consequence of their position as directors The maximum payable under that policy is £20 million in aggregate

The Company has also in the course of the year entered into separate deeds of indemnity with each individual director providing them with an indemnity to the extent permitted by the Articles of Association of the Company

The foregoing insurance and indemnity does not extend to cover claims brought by the Company itself which are upheld by the courts nor to criminal fines or penalties

Directors' 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 in the Remuneration section of the Report 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 with reference to the number of ordinary shares in issue with voting rights of the Company

Alliance Trust Savings Nominees Limited is included to show the aggregate holding of individual customers of Alliance Trust Savings Limited

Major Shareholders' Holdings

Ordinary shares as at 18 April 2007

DC Thomson & Company Limited and John Leng & Company Limited	46,900,000 (6 98%)
Legal and General Group PLC	23,129,040 (3 44%)
Alliance Trust Savings Nominees Limited	135,759,952 (20 21%)

Political and Charitable Donations

In the course of the year we made no political or charitable donations

Payment of Creditors

Our policy and practice is to pay creditors in accordance with the terms agreed Each contract including payment terms is negotiated on the best terms available through negotiation with the supplier or through a tender approach

At 31 January 2007, the Company had no trade creditors The Company's main subsidiary undertaking, Alliance Trust Savings, had trade creditors outstanding at 31 January 2007 representing 14 days of purchases

Social Responsibilities and Environmental Issues

In evaluating investments our managers review whether any social or environmental aspect of that company's operations will impact on the quality of the investment and make their judgment accordingly

Voting

It is the Company's policy to vote, where practical, in respect of all of its investments We will normally vote with the recommendation of the board of the company in which we are invested unless we believe that is not in the best interests of our Company Any decision of an investment manager to vote against a recommendation by a board is subject to review by the Chief Executive or other Executive Director and is reported to our Board

Relationship with Shareholders

Regular meetings take place with institutional shareholders and fora are held where private shareholders are invited to meet directors Reports and Accounts and invitations to attend are sent to individuals who hold their shares in the Company through Alliance Trust Savings investment plans Investors through Alliance Trust Savings have the opportunity to instruct how they want their votes cast or to attend the AGM as a proxy

The Company's subsidiary, Alliance Trust Savings, has agreed with its customers that, except where they give instructions to the contrary, the entire shareholding of Alliance Trust Savings through its nominee will be voted at the Annual General Meeting in the proportions of the customers' forms of direction received voting for or against, or abstaining on all resolutions put to the AGM

Alliance Trust Savings now publishes a magazine which it sends to members on an occasional basis providing information on developments through the year in a more informal context Details of the Company's net asset value are published daily through the London Stock Exchange and other information appears on our website

Share Capital and Waiver of Dividends

The Company's issued share capital as at 31 January 2007 comprises 671,909,760 ordinary 2 5p shares of which 162,939 are held by the Trustee of an Employee Benefit Trust for the benefit of the Company and in respect of which 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 of the Employee Benefit Trust 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

Share Buy Back Authority

At the EGM on 10 May 2006 the shareholders authorised the directors to make purchases of the Company's own shares This authority, for the repurchase of up to 14 99% of the issued shares, 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

Our Annual General Meetings are well attended by shareholders In addition to the formal business of the meeting, the Chief Executive will give a presentation on business developments and there will be the opportunity for questions to be raised of the other Directors 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 who will also receive a copy of this Report and Accounts Shareholders may elect to receive these communications by email

Accountability and Audit

Directors' responsibility

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

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

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the

Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

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

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

Audit Committee

The Audit Committee's main role is to report to the Board on the integrity and effectiveness of

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

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

(iii) to review changes in the business which require consequent changes to the financial controls or the system of internal control review

To assist the Committee in carrying out its duties the Finance Director and Head of Internal Audit normally attend The Chairman and the Chief Executive may attend by invitation and the external auditors normally attend when audited financial statements are to be approved or when requested

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

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

Risk Management

The Board, supported by the Audit Committee's review, is responsible for all aspects of risk within the business In the course of the year the Board considered and approved an amendment to the Risk policy and a major review of the risk framework was undertaken in the latter part of 2006 The Company has an extensive risk framework identifying and quantifying all major risks Management is responsible for monitoring and, where possible and practicable, reducing such risks on an ongoing basis The success of management in achieving this is measured through an executive risk management committee and is monitored by the Audit Committee

Internal Control

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

The Company maintains a separate internal audit function which has been strengthened in the course of the year by the addition of a specialist IT auditor reflecting the importance that such systems have to the operation of the Company The Risk Management oversight function was transferred during the year to the Internal Audit function to provide additional resource and support It has been recognised that the incorporation of Risk Management oversight within the Internal Audit function carries with it potential conflicts and the risk oversight function will therefore be subject to external review

There is a rolling programme of internal audits set for the year based on an assessment of risk approach while maintaining the ability to introduce additional audits as circumstances dictate

Internal controls are also reinforced by a clear segregation of the roles of Chairman and Chief Executive through the terms of their respective appointments, a strong non executive presence on the Board and also through the various committees set up to monitor and oversee the operation of the Company

Disclosure of information to auditors

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 auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditor Independence

The external auditor is appointed by the Board and their performance is reviewed and monitored by the Audit Committee The Company held a tender exercise and review of its external auditor in 2004 and would intend to undertake a similar review no later than 2009 The Company has a policy of not using the firm engaged for audit work for any significant additional professional services In the course of the year our auditors, KPMG, provided advice in relation to the acquisition of Albany Venture Managers (Holdings) Limited, the total fees for which did not exceed £3,000 in the year In addition they also received fees of £181,625 from the Company and the Second Alliance Trust in relation to work arising in the merger

In respect of the merger work the Board took the view that KPMG had a body of knowledge of the businesses of both the Alliance Trust and the Second Alliance Trust that would not have been easily, or quickly, gained by another advisor The Board therefore considered that it was in the best interests of the Company to use KPMG's services and that this unique engagement would not undermine the Auditor's independence

The reappointment of the external auditor is approved by the shareholders each year and the company undertakes regular tender exercises to ensure that fee levels remain competitive

Report of Directors

The Report of the Directors comprising the business review on pages 7 to 31, together with the Non Executive Directors, Executive Directors, Directors' shareholdings, major shareholdings, political and charitable donations, payment of creditors and disclosure of information to auditors sections of the corporate governance report on pages 36 to 41 of this Annual Report and Accounts has been approved by the Board and signed on its behalf by

Donald McPherson, Company Secretary

23 April 2007

Directors' remuneration report

This year's remuneration report is presented to shareholders in accordance with the requirements of the Directors' Remuneration Report Regulations 2002 (the "Regulations") and a resolution is being put to the Company's shareholders to approve the report

Remuneration Committee

The Committee operates within terms of reference and governance policies approved by the Board and is responsible on behalf of the Board for

- executive remuneration policy
- determining the service conditions and remuneration of all Executive Directors,
- the evaluation of Executive Director performance with regard to the award of share based incentives, annual bonus and other performance based remuneration,
- obtaining independent professional advice in relation to Executive Director remuneration

During the year under review the Remuneration Committee has met seven times

The Remuneration Committee has complied with the Combined Code on Corporate Governance

Membership and Proceedings of the Remuneration Committee

The members of the Remuneration Committee are all Non Executive Directors and during the year have comprised Christopher Masters (chairman), William Jack, Gordon McQueen and Clare Salmon All Committee members are considered to be wholly independent with no financial interest, other than as shareholders, in the Committee's decisions The Chairman and the Chief Executive attend meetings of the Committee as required but are not present when matters affecting their own remuneration are considered

The Remuneration Committee appoints and receives advice from independent consultants who are engaged directly by the Remuneration Committee These advisors provide guidance on the appropriate level of Executive Directors' remuneration and comment on any proposals put forward by the Chief Executive or Chairman in respect of Executive Directors' remuneration The guidance given includes all aspects of remuneration including salary, non cash benefits, pensions and long term incentive plans In the first half of 2006, the guidance was provided by the Monks Partnership Since October 2006, the advice has been provided by the Hay Group who are now the appointed advisors to the Remuneration Committee

The Board of the Company is comprised of both Executive Directors and Non Executive Directors and their remuneration is treated in different ways reflecting the different roles that they have

Non Executive Directors

Non Executive Directors are appointed for their ability to contribute to the overall performance of the Company and to provide an oversight function using a broad range of skills and experience Non Executive Directors do not receive salary, bonuses, pension nor share options but receive fees in respect of the services which they provide 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 Articles of Association of the Company set the maximum aggregate amount which can be paid to the Non Executives each year for services as a Director of the Company This cannot be increased without shareholder approval, which was last given in 2006, whereby the maximum was increased to £224,000 per annum Prior to the merger of the two trusts, which was completed on 21 June 2006, all Non Executive Directors received fees from both The Alliance Trust and the Second Alliance Trust During the year the levels of fees have been considered with the benefit of external advice and adjustments made

The Remuneration Committee determines the Chairman's fees and the Board as a whole determines the Non Executive Directors' fees with the Non Executives playing no part in the decision making process on their own fee levels In June 2006 the Company reviewed the fees paid to Non Executive Directors to reflect additional responsibilities undertaken by them in connection with the governance of the Company This included additional payments of £4,000 per annum to each of the Senior Independent Director and the respective chairmen of the Remuneration Committee and the Audit Committee

The fees paid to the Non Executive Directors, including the Chairman, were reviewed again in February this year No change was made to the basic fee but the fees for additional duties were changed with effect from 1 February 2007 to £5,000 per annum for the holders of the positions of Chairman of the Remuneration Committee and Chairman of the Audit Committee, and £2,500 per annum for the Senior Independent Director and for membership of the Audit Committee and Remuneration Committee

Additional annual fees are paid to Gordon McQueen, who serves as a director of Alliance Trust Savings and as the Chairman of its Audit Committee, of £2,500 and £5,000 respectively

The composite fee of £75,000 now payable to the Chairman includes service on all applicable 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

Executive Directors

Executive Directors are employees who are engaged full time in the business of the Company and of its subsidiary businesses The Executive Directors do not receive fees but are paid a salary which is not restricted by the Articles of Association but is determined by the Remuneration Committee

As part of the recruitment process to fill a number of senior executive roles, including the main Board positions, it became clear that the Executives' remuneration structure required a full review in order to recruit and retain individuals of the requisite ability It was evident that the Executive Directors' current total compensation package was not commensurate with that being received elsewhere by individuals of the calibre sought by the Company In the latter part of 2006 the Remuneration Committee undertook a formal review of advisors As a result of this review, the Hay Group was requested to conduct a total remuneration review and to assess the Company's existing remuneration arrangements against other companies of a similar size, or who are operating in the same market in the provision of financial services, as the Company This review, which included all elements of remuneration and long term incentive arrangements,

Fees paid to the Non Executive Directors

	2006 7	2005 6 Alliance	2005 6 Second Alliance
Lesley Knox	£63,333	£36,000	£18,000
William Jack	£30,500	£18,000	£9,000
Christopher Masters	£30,500	£18,000	£9,000
Gordon McQueen	£30,500	£18,000	£9,000
Clare Salmon	£28,166	£11,200	£5,600

Note

In 2006 7 the fees have been consolidated concluded that a number of adjustments were required

The total remuneration review identified that the current structure of base salary, an annual variable bonus and an incentive plan tied to any bonus (the current SMEIP) only represented part of what would now be regarded as a competitive total reward package In order to be competitive and to provide additional focus on the longer term performance of the Company, it was decided that the Company should introduce a long term incentive plan The Remuneration Committee also reviewed the performance criteria attaching to the current plan and concluded that the Company's target should be an absolute return rather than a relative measure, reflecting the Company's objective of providing shareholders with real growth of their investment over the medium to long term rather than benchmarking against the performance of other investment trusts

The Committee considers that the remuneration structure should be based on the following propositions

A significant portion of senior employees' (including Executive Directors) remuneration should be dependent on the performance of the Company and, or a subsidiary of the Company (such as Alliance Trust Savings)

Performance should be measured over rolling three year periods and long term incentive plans should be structured accordingly

While total shareholder return remains the most relevant measure (being transparent and reflecting both capital appreciation and dividends) it should be measured on an absolute basis This more closely reflects the Company's investment philosophy, actual returns to shareholders and real returns

The Committee has approved the following as representing the key elements of its policy

- Variable pay will form a significant proportion of the total package,
- Base salaries will be set at no more than the market median for jobs of a similar size and complexity,
- The total direct compensation opportunity (base salary plus annual and long term incentives) will reflect the 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 proposed new incentive plan, which will be put to shareholders at the 2007 AGM, has been formulated following consultation with major shareholders, the Association of British Insurers and the National Association of Pension Funds

As part of the review it was felt important to ensure that the Executive Directors were directly impacted by shareholder return and guidance has now been given to the Executive Directors that they are expected to achieve and retain a shareholding equivalent to one year's base salary accumulated over a five year period

Directors' contracts

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

- The contracts of Alan Harden, Janet Pope and David Deards are determinable on one year's notice by the Company and on six months notice by the Director
- Alan Harden's and Janet Pope's contracts contain express mitigation provisions should their 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 normal retirement age of Executive Directors has been increased to 65 as a consequence of Age Discrimination legislation that came into force on 1st October 2006 Prior to that date the normal retirement age was 60
- Entitlement to private health care which extends to any spouse and any unmarried child under 25
- Participation on the same terms as all staff in an All Employee Share Ownership Plan (AESOP) subject to the statutory maximum value of Free Shares of £3,000 in any year
- Insurance for personal travel for the Executive Director (excluding Janet Pope) and their immediate family
- Pension benefits described in more detail below
- Death benefits through pension plans of four times basic salary
- Participation in the discretionary annual bonus and long term incentive plan

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

As noted at page 33, Mrs Garrett Cox will become an Executive Director of the Company on 1 May 2007

In connection with this appointment and at the recommendation of the Remuneration Committee, the Company will make awards to Mrs Garrett Cox under an incentive plan based on the Senior Management Equity Incentive Plan ("SMEIP") There are two components to the initial awards First, an award of £255,000 (equivalent to Mrs Garrett Cox's initial annual salary on joining Alliance Trust), to which she became entitled at the time of announcement of her appointment and second, an award of £700,000 when she starts work in May

Both awards are gross, and therefore subject to income tax and NI

Under the terms of the SMEIP the Remuneration Committee has the discretion to require that one half of any award paid is used to purchase shares in the Company Furthermore, participants are given the opportunity to apply some, or all, of their remaining award to purchase further shares Purchased shares are held in trust for a period of three years, and qualify for matching awards of up to two times the initial award, grossed up for tax, subject to certain performance conditions

In connection with these awards, the Remuneration Committee has exercised its discretion and Mrs Garrett Cox has indicated a willingness to apply all of the second award to the purchase of further shares As a result, she will have invested over three times her annual salary in Alliance Trust shares at or shortly after the time she joins the Company

Directors' pension benefits

Alan Harden is a member of the Company's defined benefit plan which provides benefits based on his basic salary (excluding any bonuses or other benefits) in the 12 months before his retiral, capped at what was the HRMC statutory level (which has also been adopted as a Scheme specific cap ("the cap") and which will continue to restrict in 2007 and future years the level of benefits that can be received from this Scheme) The accrual rate used for Alan Harden is 1/30th for each year's service Since April 2006, when legislation permitted more flexible pension arrangements and for pension contributions to be based on total salary, Alan Harden has, in addition to membership of the defined benefit plan, also been entitled to a defined contribution pension arrangement for that element of salary above the cap The Company's contribution in this case is 10% of the base salary above the cap plus a matching contribution of up to 7% of salary above the cap where the Director also contributes up to 7%

David Deards is also a member of the Company's defined benefit plan and has the same pension benefit entitlement as Alan Harden save that from April 2004 his accrual rate changed from 1/60th to 1/40th for each year's service

Sheila Ruckley and Alan Young were both members of the Company's defined benefit plan but were not subject to the cap, therefore their pension entitlement was based on actual salary Sheila Ruckley accrued benefits at the rate of 1/60th per year which is the normal accrual rate for the scheme Alan Young accrued service in the Scheme until 5 April 2006 after which no further accrual for service was given In the ten years prior to Alan Young's retiral his service was enhanced by six months for every twelve months service during that period He was also credited with 5 years service in 1988 comprising two years and one month from a transfer from a previous employer and two years 11 months being a discretionary increase Neither Alan Young nor Sheila Ruckley received contributions to a defined contribution pension arrangement

In addition to a member's pension the defined benefit plan provides for a spouse's pension should the member die before or after retirement A pension is also payable to children (minors or under 21 in full time education) of the member if death occurs prior to retirement

Salary and benefits

Executive Director	Date of Contract	Salary 2007	Taxable Benefits	AESOP Share Incentive Plan	Annual Bonus	Other Pay	Total 2007	Total 2006
Alan Harden	15 October 2003	£261,772	£1,559	£1,854	£59,590	–	£324,775	£258,204
David Deards	22 November 2002	£141,459	£869	£1,854	£30,414	–	£174,596	£132,579
Janet Pope	27 October 2006	£55,000	–	–	£27,500	£9,350	£91,850	–
Sheila Ruckley	31 January 2001	£123,667	£949	£1,854	£31,281	–	£157,751	£119,623
Alan Young	6 November 1987	£91,070	£296	£1,854	–	–	£93,220	£168,180

Notes

1 Sheila Ruckley ceased to be a Director on 31 July 2006 but remained an employee of the Company for the remainder of the financial year during which period she received salary of £70 000 and taxable benefits of £474 Both of these sums are included in the table above

2 During the period 1 February to 30 June 2006 the Directors also received remuneration from the Second Alliance Trust The salary received from the Second Alliance Trust in that period with salary for the year ending 31 January 2006 in brackets, is for Alan Harden £29 896 (£67 917) David Deards £16 042 (£35 835) Sheila Ruckley 14 000 (£31 250) and Alan Young £18 816 (£44 250) In the same periods bonuses from the Second Alliance Trust were paid as follows Alan Harden £17 604 (£16 458) David Deards £9 375 (£8 698) Sheila Ruckley £8 167 (£7 650) and Alan Young £11 211 (£10 755)

3 Prior to her appointment as a Director in November 2006 Janet Pope received fees as a consultant to the Company of £135 482 The payment under Other Pay' was made after the end of the financial year but in respect of her salary during the year and is explained in the Directors Pension Benefit section

4 Alan Young retired on 9 September 2006

5 The amount of Annual Bonus paid to Janet Pope was contractual in this her first, financial year and will be subject to performance conditions in future years

Janet Pope is not a member of the defined benefit plan nor of a defined contribution plan but is entitled to receive an equivalent amount in lieu of such plans She receives 10% of salary (excluding any bonuses or other benefits) and is also entitled to receive a matching amount of up to 7% of salary where she purchases Alliance Trust PLC shares Ms Pope received £9,350 in respect of this financial year under this element of her remuneration package which was paid after the conclusion of the financial year

Details of the Executive Directors' pension entitlements (Non Executive Directors receive no pension benefits) are given below

Base Salary

Salaries will be targeted at the market median and increases will be made to bring them closer to this position However it is not proposed to simply move respective salaries straight to the market median A more measured approach will be taken which allows the Remuneration Committee to ensure that performance within the roles is at the level required to justify the increases The base salaries which apply from 1 February 2007 are

Position	Salary
Chief Executive	£350,000
Finance Director	£190,000
Chief Executive Alliance Trust Savings	£230,000

Annual Bonus

The Company operates a variety of annual bonus schemes in which around 60% of employees participate and where individuals can become eligible for a payment based on achievement of specific business and personal targets Selected employees, including the Executive Directors, participate in such a scheme For the year ended 31 January 2007, the maximum award payable to any Executive Director under this arrangement was set at 50% of their salary Actual awards made to Executive Directors (other than Janet Pope where the amount was contractual) ranged from 21 25% to 25% of salary

For the year ended 31 January 2007, the parameters used to determine the actual amount of bonus paid to the Executive Directors included a combination of individual and corporate performance targets The amount of the Executive Directors' bonus that related to overall Company performance was determined by reference to the Company's total shareholder return ("TSR") performance for the year relative to the peer group identified as the most relevant when the plan was structured in 2004/5 (The comparator group may be subject to change by the Remuneration Committee to ensure that performance is measured against an appropriate benchmark reflective of the Company's activities) Below median performance of the Company against the comparator group results in no Company performance element being paid The Company performance element of the Annual Bonus comprises 50% of the maximum bonus with the other 50% being determined by business unit or individual targets

Using these measures, for the year ended 31 January 2007 no amount was payable under the Company performance element

From 1 February 2007 onwards the maximum annual bonus which may be earned by Executive Directors will be increased to 100% of salary The bonus target will continue to reflect both overall corporate performance and also specific business unit or functional responsibilities However, the performance targets attaching to the scheme will be modified such that the maximum can only be achieved for a higher level of performance

For the year to 31 January 2008, the following weightings will be used for the annual bonus

Executive Directors' pension entitlements

	ACCUMULATED TOTAL ACCRUED PENSION PER ANNUM		TRANSFER VALUES			INFLATION ADJUSTED INCREASE IN YEAR		
	31/01/2006	31/01/2007	31/01/2006	Changes	31/01/2007	Accrued pension	Transfer value	SIPP Plan
S Ruckley	£36,285	£42,256	£621,696	£138,642	£760,338	£4,991	£89,812	–
A Young	£83,697	£88,599	£1,720,690	£204,311	£1,925,001	£2,642	£57,407	–
D Deards	£7,040	£9,955	£64,845	£61,058	£125,903	£2,725	£34,463	£7,281
A Harden	£7,627	£11,463	£79,223	£84,683	£163,906	£3,630	£51,905	£26,406

Note

In the case of Sheila Ruckley the figures comprise the full year and are not restricted to the period when she was a Director

The above table relates to the total pension entitlement of the Directors combining payments and benefits due or secured by the Company and the Second Alliance Trust and any subsidiary The prior year comparative figure has been adjusted to the same basis

The level of increase in transfer values is partly due to the different calculation basis of transfer values for all members adopted by the Trustees of the pension scheme in 2006 on the advice of the Scheme Actuary

	Chief Executive	Finance Director	Chief Executive ATS
Corporate	50%	50%	25%
Business Unit	25%	25%	50%
Individual	25%	25%	25%

The corporate performance will be based on total return per share The Business Unit performance will reflect performance of the financial services and asset management businesses

In addition to the challenging performance targets, half of any bonus earned will continue to be deferred automatically into shares for a period of three years with the potential to receive a matching award based on TSR performance The Remuneration Committee will review the measures each year to ensure that they remain appropriate and challenging

Senior Management Equity Incentive Plan (the "SMEIP")

At the 2005 Annual General Meeting, shareholders approved the introduction of the Senior Management Equity Incentive Plan (the "SMEIP") Under this arrangement, selected individuals, including the Executive Directors (but not the Non Executive Directors), are eligible to participate Participants must apply some or all of their annual bonus in acquiring shares in the Company, awards are then granted over further shares that generally vest after three years, but only if, and to the extent that, various conditions have been met The key features of the SMEIP and the policies associated with its operation are summarised below

Deposited Shares

Where an individual participates in the SMEIP in respect of any financial year, he or she is invited to specify the proportion of the annual bonus for that year that he or she wishes to use to purchase shares in the Company, subject to the requirement that at least 50% of the bonus must be applied in this way Any such acquisitions (which are made after tax and other deductions) are carried out by the trustee of the Company's Employee Benefit Trust (the "Trustee") on the relevant participant's behalf Shares acquired in this way are referred to as "Deposited Shares" for the purposes of the SMEIP

A SMEIP participant becomes the beneficial owner of the Deposited Shares at the time they are acquired on their behalf, but legal title is held by the Trustee in a nominee capacity throughout a "holding period", which generally ends on the third anniversary of their initial acquisition In 2006, the Directors each invested to the maximum of 100% of their annual bonus in Deposited Shares

Matching Awards

When Deposited Shares are purchased on a participant's behalf, the Company grants a conditional award of further shares (a "Matching Award") which vests on the third anniversary of grant but only if, and to the extent that, stretching performance targets are achieved over a specified period Matching Awards are structured as "nil cost" options and do not confer any shareholder rights until they vest

The total number of shares over which a participant's Matching Award is initially granted is calculated by taking the market value of the Deposited Shares purchased on their behalf (grossed up by the appropriate marginal rates of income tax and NIC), multiplying that figure by a pre set "ratio" determined by the Remuneration Committee (which cannot exceed two) and dividing that amount by the market value of the Company's shares as at the date of grant

The ratio in the case of each of the Directors is two

Comparator group for the year

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

A SMEIP participant's Matching Award will lapse if and to the extent that they sell their corresponding Deposited Shares before the end of the applicable holding period Similarly, Matching Awards will generally lapse if the participant leaves the Company before they have vested However, the Company has the discretion to allow the Matching Awards to be retained until the end of the performance period and during the financial year this discretion was exercised in respect of Sheila Ruckley who retired as a Director of the company in July 2006 Alan Young, who retired at his normal retirement date in September 2006, was entitled under the terms of the plan to retain his Matching Awards

Performance conditions

The performance conditions attaching to Matching Awards and the period over which they are measured are set by the Remuneration Committee To date, all Matching Awards granted under the SMEIP to Executive Directors of the Company have been subject to a Total Shareholder Return (TSR) target which compares the TSR of a share in the Company, over a period of three consecutive financial years, with the TSR of a share in each company in a comparator group comprised of other investment trusts The Company's position within the comparator group will determine the extent to which the Matching Award will vest, if it is at median, 50% of the award will vest, if it is between median and upper quartile, there will be vesting of between 50% and 100% on a straight line basis, if it is at or above the upper quartile, the full 100% of the Matching Award will vest and if it is below median there will be no vesting To the extent that a Matching Award has not vested at the end of the performance period, it will lapse

The Matching Award made in June 2005 has been adjusted to reflect that the award now applies to 2 5p Ordinary shares

The above TSR performance condition was designed to provide alignment between Executive Director remuneration and shareholder interests The comparator group was selected to ensure that performance was compared fairly against a group of similar companies operating in a similarly competitive environment as the Company at the time the Plan was introduced

The right to matching shares is by way of nil price options granted to the participant with the right expiring after a period of three months from the date that the award first becomes exercisable

For 2007 and future years, it is proposed that the SMEIP will be replaced by one element of the new long term incentive plan which will be put to shareholders at the forthcoming AGM This element of the new arrangement (details of which are set out in the Chairman's letter accompanying the AGM notice) will be broadly similar to the SMEIP except that the performance condition attaching to matching awards will be based on the Company's absolute TSR performance as shown in the table below

Per annum compound growth	% of award vesting
Less than RPI + 3%	0%
RPI + 3%	25%
Equal to or more than RPI + 10%	100%

If the new long term incentive plan is approved by shareholders, no further awards will be made under the SMEIP, although existing awards under that arrangement will be unaffected

The Second Alliance Trust PLC Senior Management Equity Incentive Plan ("2AT SMEIP") – replacement awards

Prior to the merger of the Company and the Second Alliance Trust PLC ("2AT") (the "Merger"), each of the Company's Executive Directors participated in the 2AT SMEIP Under this arrangement (which was structured, in all material respects, in the same way as the Company's SMEIP and which was approved by the shareholders of 2AT at their AGM in 2004), participants were invited to apply some or all of their 2AT annual bonuses in the acquisition of shares in 2AT ("2AT Deposited Shares") and were granted matching awards ("2AT Matching Awards") over additional 2AT shares, the vesting of which was

	SMEIP MATCHING AWARDS MADE IN THE CURRENT YEAR			SMEIP MATCHING AWARDS MADE IN PREVIOUS YEAR		
Name	Date of Grant	Date Exercisable	Matching Award	Date of Grant	Date Exercisable	Matching Award
Alan Harden	21 April 2006	21 July 2009	26,740	9 June 2005	9 June 2008	16,940
David Deards	21 April 2006	21 July 2009	11,960	9 June 2005	9 June 2008	8,940
Sheila Ruckley	21 April 2006	21 July 2009	12,300	9 June 2005	9 June 2008	7,960
Alan Young	–	–	–	9 June 2005	9 June 2008	10,160

The market prices of the Company s ordinary shares (adjusted) on 9 June 2005 and 21 April 2006 were 279 7p and 380 4p respectively As detailed above the performance criteria that must be met before the above awards vest requires the Company's Total Shareholder Return over a period of three consecutive financial years to outperform a comparator group comprised of other investment trusts dependent, amongst other things, on the satisfaction of specified performance conditions In the case of the Executive Directors, these performance conditions related to the relative TSR performance of 2AT over a period of three financial years

With effect from the effective date of the Merger (21 June 2006), the Company's Executive Directors (along with all other participants in the 2AT SMEIP) surrendered their 2AT Matching Awards in exchange for the grant of equivalent rights over shares in the Company (the "Replacement Matching Awards") These Replacement Matching Awards, which were granted on 23 June 2006, are subject to the same terms and conditions that applied to the 2AT Matching Awards they replaced In particular, they will generally vest on the third anniversary of the date on which the original 2AT Matching Awards were granted but only if and to the extent that the original performance conditions (appropriately amended to reflect the Merger) have been satisfied over the original performance period

Replacement Matching Awards will generally lapse if the participant leaves the Company before they have vested However, the Company has the discretion to allow the Matching Awards to be retained and during the financial year this discretion was exercised in respect of Sheila Ruckley who retired as a Director of the Company in July 2006 Alan Young retiring at his normal retirement date in September 2006 was allowed under the terms of the plan to retain his Matching Awards These Awards will also lapse if, before the expiry of the original holding period, the participant sells the shares in the Company that they acquired under the Merger in respect of his 2AT Deposited Shares, these shares are currently held on the participants' behalf by the trustee of the Company's Employee Benefit Trust

The right to matching shares is by way of nil price options by the participant with the right expiring after a period of three months from the date that the award is exercisable

All Employee Share Ownership Plan

Executive Directors are eligible to participate in the Company's All Employee Share Ownership Plan (the "AESOP") on the same terms as other members of staff The AESOP, which is an HM Revenue & Customs approved arrangement, currently has the following elements

- The "Partnership Share" element under which employees may make regular purchases of shares from pre tax income (up to a limit of £1,500 per tax year),
- The "Free Share" element in terms of which all eligible employees receive up to £3,000 worth of shares in each year depending upon the extent to which certain performance targets have been satisfied, and
- The "Dividend Share" element under which dividends paid on shares held in the AESOP are used to buy further shares in the Company

Directors' shareholding

Details of the holdings of all the Directors are shown in the tables on the next page

Each Director may have other shares in which he or she is beneficially interested These can include shares held by their spouses, children and any other connected persons

The Company has not granted any options to subscribe for its shares

Company Performance Graph

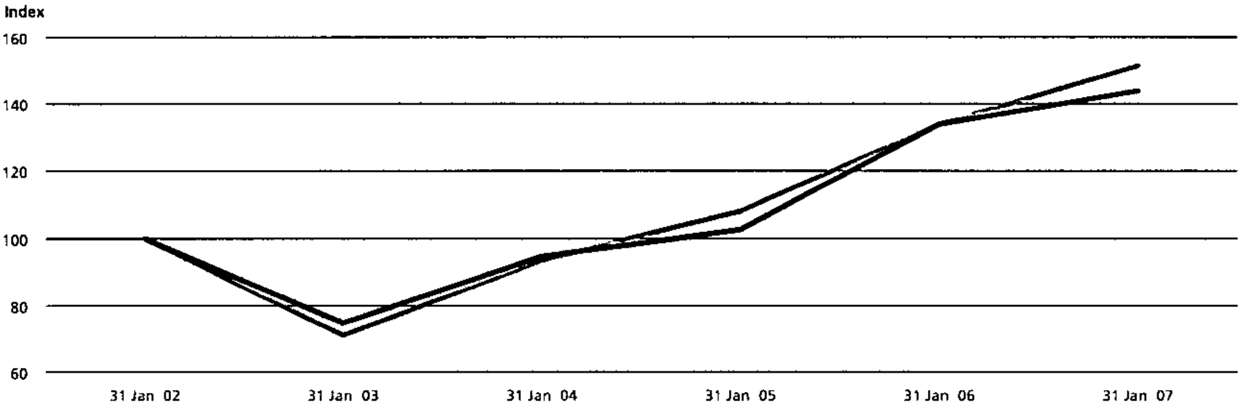
We are required by law to show a graph of the performance of the Company over a five year period compared to a broad equity market index notwithstanding that the Company invests across a wide range of investment classes The graph on the next page compares the total shareholder return on the Company's ordinary shares to the FTSE All Share Index which the Company believes is the most relevant index as the largest single portfolio of the Company is UK listed equities It should be noted that the Company does not seek to track the FTSE All Share Index and it is not used as a benchmark for Company performance nor for remuneration purposes Past performance is not a guide to future performance, and the value of investments may fall as well as rise

Replacement Matching Awards

Name	Date of Original Grant	Date Exercisable	Replacement Matching Award
Alan Harden	6 October 2005	6 October 2008	10,398
David Deards	6 October 2005	6 October 2008	5,483
Sheila Ruckley	6 October 2005	6 October 2008	4,827
Alan Young	6 October 2005	6 October 2008	6,786

The market prices of the Company's ordinary shares (adjusted) on 6 October 2005 was 303 1p As detailed on page 48 the performance criteria that must be met before the above awards vest requires the Company s Total Shareholder Return over a period of three consecutive financial years to outperform a comparator group comprised of other investment trusts

TSR Performance



Source Datastream

Audit Statement

The tables at the botttom of pages 43, 45 and 46 together with the related footnotes have been audited by the Company's auditors whose report is on page 51

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

Christopher Masters, Chairman Remuneration Committee

23 April 2007

Directors' Interests

All interests are beneficial (Ordinary shares of 2 5p)

Name	As at 1 February 2006* or date of appointment if later	As at 31 January 2007 or date of retiral as a director if earlier	Acquired between 31 January 2007 and 18 April 2007 [1]
Lesley Knox	21,750	97,791	767
Alan Harden	15,240	52,044	4,455
David Deards	18,090	47,729	594
William Jack	10,000	18,745	–
Christopher Masters	5,250	10,386	32
Gordon McQueen	2,000	3,749	–
Sheila Ruckley	26,340	60,863	–
Clare Salmon	2,000	3,749	–
Alan Young	34,790	52,804	–
Janet Pope	–	5,773	279

* these interests have been restated to reflect the conversion of 25p ordinary shares into 2 5p ordinary shares on 21 June 2006 but do not include any holdings in the Second Alliance Trust that the Director may have held as at that date

Notes

1 Acquisitions of shares after 31 January 2007 have been pursuant only to standing instructions through plans provided by Alliance Trust Savings and through the Company s All Employee Share Ownership Plan ('AESOP)

2 Details of Directors rights to acquire existing ordinary shares pursuant to (i) matching awards granted under the Company s Senior Management Equity Incentive Plan (SMEIP) and (ii) replacement matching awards granted following completion of the merger with the Second Alliance Trust are provided in the Directors Remuneration Report on page 49

3 In the case of the Executive Directors the figures shown in the above table include deposited shares purchased on the relevant Director s behalf pursuant to the SMEIP These ordinary shares (which are beneficially owned by the Director in question) are currently held by the trustee of the Company s Employee Benefit Trust in a nominee capacity The trustee also holds further ordinary shares on behalf of the Executive Directors which relate to the replacement matching awards described in note (2) above Again these shares are beneficially owned by the relevant Directors and have been included in the above table Further information in relation to the SMEIP and the replacement matching awards are set out on page 49

4 As at 31 January 2007 the trustee of the Company s Employee Benefit Trust held 162 939 unappropriated ordinary shares for the benefit of the Company Under paragraph 2 of Schedule 13 to the Companies Act 1985 the Executive Directors are deemed to be interested in these shares

Independent auditor's report

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

We have audited the group and parent company financial statements (the "financial statements") of Alliance Trust PLC for the year ended 31 January 2007 which comprise the Consolidated and Company Income Statements, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Consolidated and Company Statements of Recognised Income and Expense, and the related notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Report and Accounts, 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 (as defined on page 41) 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 2003 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 Report and Accounts 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 2007 and of the group's and the parent Company's profit 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 (as defined on page 41) is consistent with the financial statements

KPMG Audit Plc,
Chartered Accountants
Registered Auditor,
Edinburgh

KPMG Audit Plc

23 April 2007

Financial statements

Consolidated income statement

For the year ended 31 January 2007

			2007			2006	
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue	3						
Deposit interest		**11,009**	**-**	**11,009**	6,930	-	6,930
Dividend income		**58,750**	**-**	**58,750**	49,878	-	49,878
Mineral rights income		**1,575**	**-**	**1,575**	850	-	850
Rental income		**1,935**	**-**	**1,935**	81	-	81
Gains and losses on investments							
(Decrease)/Increase in fair value designated investments held		**-**	**(52,382)**	**(52,382)**	-	236,790	236,790
Increase in fair value designated investments disposed of		**-**	**201,655**	**201,655**	-	161,367	161,367
Other operating income		**7,763**	**-**	**7,763**	3,739	-	3,739
Total revenue		**81,032**	**149,273**	**230,305**	61,478	398,157	459,635
Administrative expenses	4	**(25,180)**	**(462)**	**(25,642)**	(13,947)	(283)	(14,230)
Merger expenses		**-**	**(2,461)**	**(2,461)**	-	-	-
Finance costs	5	**(3,199)**	**(1,224)**	**(4,423)**	(2,071)	(230)	(2,301)
Foreign exchange (losses)/gains			**(1,651)**	**(1,651)**	-	1,165	1,165
Profit before tax		**52,653**	**143,475**	**196,128**	45,460	398,809	444,269
Tax	6	**(4,329)**	**367**	**(3,962)**	(4,146)	106	(4,040)
Profit for the period		**48,324**	**143,842**	**192,166**	41,314	398,915	440,229
Attributable to							
– Minority interest		**(664)**	**202**	**(462)**	(49)	297	248
– Equity holders of the parent		**48,988**	**143,640**	**192,628**	41,363	398,618	439,981
		48,324	**143,842**	**192,166**	41,314	398,915	440,229
Earnings per share	8	**8 08p**	**23 70p**	**31 78p**	8 21p	79 09p	87 30p

Consolidated statement of recognised income and expense

		2007			2006	
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income and expense recognised directly in equity						
Own shares purchased for Employee Benefit Trust	**-**	**(321)**	**(321)**	-	(112)	(112)
Defined benefit plan actuarial gains	**304**	**-**	**304**	25	-	25
	304	**(321)**	**(17)**	25	(112)	(87)
Profit for the period	**48,324**	**143,842**	**192,166**	41,314	398,915	440,229
Total recognised income and expense for the period	**48,628**	**143,521**	**192,149**	41,339	398,803	440,142
Attributable to						
Minority interest	**(664)**	**202**	**(462)**	(49)	297	248
Equity holders of the parent	**49,292**	**143,319**	**192,611**	41,388	398,506	439,894
	48,628	**143,521**	**192,149**	41,339	398,803	440,142

Company income statement

For the year ended 31 January 2007

		2007			2006		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue	3						
Deposit interest		4,847	–	4,847	2,170	–	2,170
Dividend income		59,549	–	59,549	51,428	–	51,428
Mineral rights income		1,575	–	1,575	850		850
Rental income		1,935	–	1,935	81		81
Gains and losses on investments							
(Decrease)/Increase in fair value designated investments held		–	(54,033)	(54,033)	–	233,460	233,460
Increase in fair value designated investments disposed of		–	201,680	201,680	–	161,230	161,230
Total revenue		67,906	147,647	215,553	54,529	394,690	449,219
Administrative expenses	4	(9,427)	(439)	(9,866)	(6,279)	(254)	(6,533)
Merger expenses		–	(2,461)	(2,461)	–		–
Finance costs	5	(622)	(1,224)	(1,846)	(162)	(230)	(392)
Foreign exchange (losses)/gains		–	(1,651)	(1,651)	–	1,165	1,165
Profit before tax		57,857	141,872	199,729	48,088	395,371	443,459
Tax	6	(5,405)	367	(5,038)	(4,270)	98	(4,172)
Profit for the period		52,452	142,239	194,691	43,818	395,469	439,287
Attributable to							
Equity shareholders		52,452	142,239	194,691	43,818	395,469	439,287
Earnings per share	8	8 66p	23 47p	32 13p	8 70p	78 47p	87 17p

Company statement of recognised income and expense

	2007			2006		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income and expense recognised directly in equity						
Own shares purchased for Employee Benefit Trust	–	(321)	(321)	–	(112)	(112)
Defined benefit plan actuarial gains	304	–	304	25	–	25
	304	(321)	(17)	25	(112)	(87)
Profit for the period	52,452	142,239	194,691	43,818	395,469	439,287
Total recognised income and expense for the period	52,756	141,918	194,674	43,843	395,357	439,200
Attributable to						
Equity shareholders	52,756	141,918	194,674	43,843	395,357	439,200

Balance sheets

As at 31 January 2007

		GROUP		COMPANY	
£000	**Notes**	**2007**	**2006**	**2007**	**2006**
Non current assets					
Held at fair value investments	9	**2,538,385**	2,004,743	**2,550,524**	2,008,260
Investment property	9	**67,145**	19,500	**67,145**	19,500
Property, plant and equipment	9				
Office premises		**900**	450	**900**	450
Motor vehicles		**32**	16	**14**	7
Intangible assets	12	**14,808**	10,152	**1,514**	174
Retirement benefit surplus	25	**181**	–	**181**	–
Deferred tax assets	13	**1,390**	2,627	**14**	91
		2,622,841	2,037,488	**2,620,292**	2,028,482
Current assets					
Other receivables	14	**32,826**	12,152	**15,443**	8,368
Cash and cash equivalents		**346,571**	160,176	**208,647**	60,994
		379,397	172,328	**224,090**	69,362
Total assets		**3,002,238**	2,209,816	**2,844,382**	2,097,844
Current liabilities					
Other payables	15	**(156,667)**	(102,731)	**(12,538)**	(5,531)
Bank overdrafts and loans	16	**(5,188)**	(54,837)	**–**	(54,837)
		(161,855)	(157,568)	**(12,538)**	(60,368)
Total assets less current liabilities		**2,840,383**	2,052,248	**2,831,844**	2,037,476
Non current liabilities					
Deferred tax liabilities		**(228)**	–	**(228)**	–
Retirement benefit obligations		**–**	(254)	**–**	(254)
		(228)	(254)	**(228)**	(254)
Net assets		**2,840,155**	2,051,994	**2,831,616**	2,037,222
Equity					
Share capital	17	**16,798**	12,600	**16,798**	12,600
Capital reserves	18	**2,096,078**	1,952,056	**2,106,487**	1,964,088
Merger reserve	18	**645,335**	–	**645,335**	–
Capital redemption reserve	18	**2,200**	2,200	**2,200**	2,200
Revenue reserves	18	**73,454**	71,060	**60,796**	58,334
Equity attributable to equity holders of the parent		**2,833,865**	2,037,916	**2,831,616**	2,037,222
Minority interest	18	**6,290**	14,078	**–**	–
Total equity		**2,840,155**	2,051,994	**2,831,616**	2,037,222
Net Asset Value per ordinary share	19	**£4 22**	£4 04	**£4 22**	£4 04

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2007
They were signed on its behalf by

Lesley Knox
Director

Alan Harden
Director

Cash flow

For the year ended 31 January 2007

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Cash flows from operating activities				
Profit before tax	**196,128**	444,269	**199,729**	443,459
Adjustments for				
Gains on investments	**(149,273)**	(398,157)	**(147,647)**	(394,690)
Foreign exchange losses/(gains)	**1,651**	(1,165)	**1,651**	(1,165)
Scrip dividends	**(617)**	(897)	**(617)**	(897)
Bond premium amortisation	**222**	327	**-**	1
Depreciation	**19**	8	**9**	3
Amortisation of intangibles	**177**	66	**28**	23
Interest payable	**4,423**	2,301	**1,846**	392
Fixed assets written off	**–**	41	**-**	–
Operating cash flows before movements in working capital	**52,730**	46,793	**54,999**	47,126
Increase in amounts due to depositors	**36,661**	11,063	**-**	–
(Increase) in receivables	**(13,643)**	(2,000)	**(2,192)**	(128)
Increase in payables	**11,098**	5,935	**480**	902
Net cash from operating activities before income taxes	**86,846**	61,791	**53,287**	47,900
Income taxes paid	**(4,760)**	(5,181)	**(4,178)**	(4,974)
Net cash from operating activities	**82,086**	56,610	**49,109**	42,926
Cash flows from investing activities				
Proceeds on disposal of fair value through profit and loss investments	**871,207**	650,618	**865,558**	639,681
Purchases of fair value through profit and loss investments	**(645,326)**	(673,328)	**(643,751)**	(656,131)
Cash and cash equivalent acquired through merger	**23,596**	-	**23,596**	-
Purchase of investment properties	**(36,684)**	(20,307)	**(36,684)**	(20,307)
Purchase of property, plant and equipment	**(35)**	(24)	**(16)**	(10)
Purchase of intangible assets	**(4,536)**	(1,981)	**(1,368)**	(197)
Purchase of business and subsidiary undertaking	**(224)**	(10,623)	**-**	–
Net cash (outflow)/inflow from investing activities	**207,998**	(55,645)	**207,335**	(36,964)

Continues opposite

Cash flow continued

For the year ended 31 January 2007

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Cash flows from financing activities				
Dividends paid – Equity	**(50,136)**	(36,664)	**(50,136)**	(36,664)
Dividends paid – Preference shares	**–**	(49)	**–**	(49)
Purchase of own shares	**(321)**	(112)	**(321)**	(112)
Repayments of borrowings	**(54,837)**	–	**(54,837)**	–
New bank loans raised	**–**	54,837	**–**	54,837
New issue of shares	**–**	5,000	**–**	–
Minority interest investment in PATIF†	**2,616**	–	**–**	–
Dividends (paid to) minority interest	**(125)**	(1,000)	**–**	–
Repayment of Debenture Stock	**–**	(1,648)	**–**	(1,648)
Repayment of Preference Stock	**–**	(2,200)	**–**	(2,200)
Interest payable	**(4,423)**	(1,956)	**(1,846)**	(47)
Net cash (outflow)/inflow from financing activities	**(107,226)**	16,208	**(107,140)**	14,117
Net increase in cash and cash equivalents	**182,858**	17,173	**149,304**	20,079
Cash and cash equivalents at beginning of year	**160,176**	141,838	**60,994**	39,750
Effect of foreign exchange rate changes	**(1,651)**	1,165	**(1,651)**	1,165
Cash and cash equivalents at end of year	**341,383**	160,176	**208,647**	60,994

† Premier Alliance Trust Investment Funds Limited

Notes

1 General Information

Alliance Trust PLC is a company incorporated in the United Kingdom under the Companies Acts 1862 1886 The address of the registered office is given on page 79 The nature of the Group's operations and its principal activities are a global investment trust

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 below

Critical Accounting Estimates and Judgements

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

Valuation of unlisted investments

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

Defined Benefit Scheme

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

Impact of the merger

On 21 June 2006 the merger with the Second Alliance Trust became effective and the Company divided its ordinary shares on the basis of ten new shares for every one previously held The Company issued new ordinary shares representing 25% of its enlarged share capital to Second Alliance Trust shareholders and the Company acquired the Second Alliance Trust which represented 25% of its enlarged net assets

The profit reported for the year to 31 January 2007 reflects that earned by the Company from 1 February 2006 until the merger and that earned by the enlarged company after the merger The income, expenditure or profit for the comparative period has not been restated and therefore excludes any pre merger contribution from the Second Alliance Trust Reported earnings or dividends per share for the periods prior to the merger have been restated to reflect the ten for one subdivision of the Company's shares

IFRS Not Yet Applied

The following standards and interpretations have been adopted by the European Union but are not effective for the year ended 31 January 2007 and have not been applied in preparing the financial statements

- IFRS 7 'Financial Instruments Disclosure' and the 'Capital disclosure amendment' to IAS 1 'Presentation of financial statements' which are applicable for periods commencing on or after 1 January 2007 The application of these standards in 2007 would not have had any financial impact as they are only concerned with disclosure

- IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies' which is effective for periods commencing on or after 1 March 2006 The application of this interpretation in 2007 would not have affected the financial statements as the Group does not operate in hyperinflationary economies

- IFRIC 8 'Scope of IFRS 2 Share based Payment' which is effective for periods commencing on or after 1 May 2006 The application of this interpretation in 2007 would not have affected the financial statements as share based payment transactions in the Group are made for the receipt of identifiable services

- IFRIC 9 'Reassessment of Embedded Derivatives' which is effective for periods commencing on or after 1 June 2006 The application of this interpretation in 2007 would not have affected the financial statements

The following standards and interpretations have not yet been adopted by the European Union, are not effective for the year ended 31 January 2007 and have not been applied in preparing the financial statements

- IFRS 8 'Operating Segments' which is applicable for periods commencing on or after 1 January 2009 The application of this standard in 2006 would not have had any financial impact as it is only concerned with disclosure

- IFRIC 10 'Interim Financial Reporting and Impairment' which is effective for periods commencing on or after 1 November 2006 The application of this interpretation in 2007 would not have affected the financial statements as no reversals to impairment losses within the scope of this interpretation have been made

- IFRIC 11 'Group and Treasury Share Transactions' which is effective for periods commencing on or after 1 March 2007 The application of this interpretation in 2007 would not have affected the financial statements

- IFRIC 12 'Service Concession Arrangements' which is effective for periods commencing on or after 1 January 2008 The application of this interpretation in 2007 would not have affected the financial statements

2 Summary of Significant Accounting Policies

Basis of accounting

Both the parent company financial statements and the group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), International Accounting Standards and Standing Interpretations Committee and interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect and to the extent that they have been adopted by the European Union

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain fixed assets The principal accounting policies adopted are set out below Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in January 2003 as revised in December 2005 is consistent with the requirements of IFRS, then the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP, save that whilst the Group allocates certain expenses against capital profits, it does not allocate all direct expenditure on the same basis

Basis of consolidation

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

Presentation of income statement

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

Goodwill

Capitalised goodwill is the excess of the cost of the acquisition of a subsidiary or business over the fair value of the Group's share of assets acquired Goodwill is reviewed annually for impairment

Income

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

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

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

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

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 balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date while their profit and loss accounts are translated using the average annual rate The exchange difference arising on the retranslation of opening net assets and current period results is taken directly to reserves

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 Senior Management Equity Incentive Plan costs which relate to the achievement of investment manager performance objectives and total stockholder return performance objectives against capital profits and those that relate to the achievement of job performance objectives against revenue profits
- The Directors have determined to allocate two thirds of the cost of bank indebtedness incurred to finance investment against capital profits with the balance being allocated against revenue profits
- Merger costs have been allocated to capital

Share based payments

The group operates two share based payment schemes, the All Employee Share Ownership Plan (AESOP) and the Senior Management Equity Incentive Plan (SMEIP) The AESOP is expensed through revenue The grant date fair value of options granted to employees under the SMEIP 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

Pension costs

Employer contributions to pension arrangements for staff are charged against revenue

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

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the balance sheet date less the present value of the Company's defined benefit obligation, together with adjustments for unrecognised past service costs

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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method 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

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 using tax rates that have been enacted or substantively enacted by the balance sheet date 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

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 offsets 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

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 investments, and 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 Where securities are fair value designated investments, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item Foreign exchange gains and losses for fair value designated investments are included within the changes in its fair value

Investments in property are independently valued at fair value and changes in fair value are 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

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 are shown at the valuation as at 31 May 2006 carried out by chartered surveyors on the basis of market value No depreciation has been charged on this asset as, in the opinion of the Board, any provision for depreciation would be immaterial in relation to the revenue for the year and the assets of the Company The Directors consider that the valuation as at 31 May 2006 is still appropriate at 31 January 2007

Intangible assets

The external costs associated with the development and procurement of significant technology systems are capitalised and stated at cost less accumulated amortisation On the completion of each project amortisation is charged so as to write off the value of these assets over periods up to five years

Customer contracts

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

Motor vehicles

Motor vehicles are held at cost less accumulated depreciation, which is charged to write off the value of the vehicle 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 Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

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

3 Revenue

	GROUP		COMPANY	
£000	**2007**	**2006**	**2007**	**2006**
Investment income				
Listed dividends – UK	**37,822**	30,584	**36,995**	29,960
Unlisted dividends – Subsidiaries	**–**	–	**2,400**	3,000
Unlisted dividends – UK	**27**	–	**27**	–
Listed dividends – Overseas	**19,490**	17,212	**19,490**	17,212
Unlisted dividends – Overseas	**20**	17	**20**	17
Interest on fixed income securities	**774**	1,168	**–**	342
Scrip dividends	**617**	897	**617**	897
Property income	**1,906**	81	**1,906**	81
Direct property expenses	**29**	–	**29**	–
Mineral rights income	**1,819**	1,066	**1,819**	1,066
Direct mineral rights expenses	**(244)**	(216)	**(244)**	(216)
Deposit interest	**11,009**	6,930	**4,847**	2,170
Other operating income				
Savings and pension plan charges	**7,545**	3,739	**–**	–
Asset management fees	**218**	–	**–**	–
	81,032	61,478	**67,906**	54,529
Total investment and other operating income comprises				
Dividend income	**57,976**	48,710	**59,549**	51,086
Interest on fixed income securities	**774**	1,168	**–**	342
Deposit interest	**11,009**	6,930	**4,847**	2,170
Other income	**11,273**	4,670	**3,510**	931
	81,032	61,478	**67,906**	54,529
Investment income comprises				
Listed investments	**58,703**	49,861	**57,102**	48,411
Unlisted investments	**3,557**	948	**5,957**	3,948
	62,260	50,809	**63,059**	52,359

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

£000	GROUP 2007 Revenue	GROUP 2007 Capital	GROUP 2007 Total	GROUP 2006 Revenue	GROUP 2006 Capital	GROUP 2006 Total
Directors' remuneration	1,138	65	1,203	877	18	895
Staff costs	12,412	462	12,874	6,143	200	6,343
Social security costs	1,254	–	1,254	610	–	610
Regular pension contributions	1,805	–	1,805	1,055	–	1,055
Auditors remuneration						
Fees payable to the auditor for the audit of the Company's annual accounts	25	–	25	18	–	18
Fees payable to the auditor for other services						
The audit of the Company's subsidiaries pursuant to legislation	31	–	31	27	–	27
Other services pursuant to legislation	6	–	6	4		4
Services relating to corporate finance transactions	–	90	90	–		–
Fees in respect of the Alliance Trust Companies pension scheme audit	3	–	3	–	–	–
	65	90	155	49	–	49

£000	COMPANY 2007 Revenue	COMPANY 2007 Capital	COMPANY 2007 Total	COMPANY 2006 Revenue	COMPANY 2006 Capital	COMPANY 2006 Total
Directors' remuneration	863	51	914	735	15	750
Staff costs	3,617	439	4,056	2,552	171	2,723
Social security costs	405	–	405	255	–	255
Regular pension contributions	636	–	636	460	–	460
Contribution received from ATS	(209)	–	(209)	(127)	–	(127)
Auditors remuneration						
Fees payable to the auditor for the audit of the Company's annual accounts	25	–	25	18	–	18
Fees payable to the auditor for other services						
Other services pursuant to legislation	2	–	2	–		–
Services relating to corporate finance transactions	–	90	90	–		–
Fees in respect of the Alliance Trust Companies pension scheme Audit	3	–	3	–	–	–
	30	90	120	18	–	18

Details of directors' remuneration are given on pages 42 to 50 At 31 January 2007, the Group employed 276 (206) full time and 21(23) part time staff, excluding Non Executive Directors Prior to the merger, staff costs were shared with the Second Alliance Trust PLC

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

The Company calculates its total expense ratio ('TER') by dividing total management and administration expenses by its year end net asset value On this basis the management and administration expenses of the Company amounted to £9,866,000 (£6,533,000) representing 0 35% (0 32%) of the year end attributable net asset value of £2,831,616,000 (£2,037,222,000)

The cost of insured benefits for staff including Executive Directors is included in other expenses

The pro forma TER, calculated by taking the total management and administrative expenses of the Company and the Second Alliance Trust PLC for the year to 31 January 2007, is 0 38%

5 Finance Costs

	GROUP			GROUP		
£000	2007 Revenue	2007 Capital	2007 Total	2006 Revenue	2006 Capital	2006 Total
Interest						
Payable to depositors	2,572	–	2,572	1,909	–	1,909
Bank loans and overdrafts	627	1,224	1,851	125	230	355
Debenture stock – redeemed 15 May 2005	–	–	–	21	–	21
Preference shares – repaid 30 June 2005	–	–	–	16	–	16
Total finance costs	3,199	1,224	4,423	2,071	230	2,301

	COMPANY			COMPANY		
£000	2007 Revenue	2007 Capital	2007 Total	2006 Revenue	2006 Capital	2006 Total
Interest						
Bank loans and overdrafts	622	1,224	1,846	125	230	355
Debenture stock – redeemed 15 May 2005	–	–	–	21	–	21
Preference shares – repaid 30 June 2005	–	–	–	16	–	16
Total finance costs	622	1,224	1,846	162	230	392

6 Taxation

£000	2007 Revenue	2007 Capital	2007 Total	2006 Revenue	2006 Capital	2006 Total
	GROUP			GROUP		
UK corporation tax at 30%	2,864	(367)	2,497	3,894	(114)	3,780
Overseas taxation	2,804	-	2,804	1,843	24	1,867
	5,668	(367)	5,301	5,737	(90)	5,647
Relief for overseas taxation	(2,804)	-	(2,804)	(1,843)	(24)	(1,867)
	2,864	(367)	2,497	3,894	(114)	3,780
Deferred taxation	1,465	-	1,465	252	8	260
	4,329	(367)	3,962	4,146	(106)	4,040
Reconciliation of tax charge						
Profit before tax	52,653	143,475	196,128	45,460	398,809	444,269
UK corporation tax payable at 30%	15,796	43,043	58,839	13,638	119,643	133,281
Items not subject to corporation tax						
Franked investment income	(12,003)	-	(12,003)	(9,444)	-	(9,444)
Realised (gains)/losses on investments		(59,619)	(59,619)	-	(48,410)	(48,410)
Decrease/(Increase) in unrealised appreciation	-	15,714	15,714	-	(70,989)	(70,989)
Foreign exchange gains	-	495	495	-	(350)	(350)
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	536	-	536	(48)		(48)
	4,329	(367)	3,962	4,146	(106)	4,040

£000	2007 Revenue	2007 Capital	2007 Total	2006 Revenue	2006 Capital	2006 Total
	COMPANY			COMPANY		
UK corporation tax at 30%	5,100	(367)	4,733	4,268	(106)	4,162
Overseas taxation	2,804	-	2,804	1,843	24	1,867
	7,904	(367)	7,537	6,111	(82)	6,029
Relief for overseas taxation	(2,804)	-	(2,804)	(1,843)	(24)	(1,867)
	5,100	(367)	4,733	4,268	(106)	4,162
Deferred taxation	305	-	305	2	8	10
	5,405	(367)	5,038	4,270	(98)	4,172
Reconciliation of tax charge						
Profit before tax	57,857	141,872	199,729	48,088	395,371	443,459
UK corporation tax payable at 30%	17,357	42,561	59,918	14,427	118,611	133,038
Items not subject to corporation tax						
Franked investment income	(12,003)	-	(12,003)	(10,157)	-	(10,157)
Realised (gains)/losses on investments	-	(59,634)	(59,634)	-	(69,990)	(69,990)
Decrease/(Increase) in unrealised appreciation	-	16,211	16,211	-	(48,369)	(48,369)
Foreign exchange gains	-	495	495	-	(350)	(350)
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	51	-	51	-	-	-
	5,405	(367)	5,038	4,270	(98)	4,172

7. Dividends

£000	2007	2006
Final dividend for the year ended 31 January 2006 of 3 70p (2005 3 625p) per share	18,646	18,270
First interim dividend for the year ended 31 January 2007 of 3 75p (2006 3 65p) per share	18,895	18,394
Second interim dividend for the year ended 31 January 2007 of 1 875p per share	12,595	–
	50,136	36,664

No final dividend is proposed In 2006 the proposed final dividend was 3 70p per share

Comparative dividends per share have been restated to reflect the 10 1 subdivision of the Company's ordinary shares

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 2007 of 3 75p per share (2006 3 65p)	18,895	18,394
Second interim dividend for the year ended 31 January 2007 of 1 875p (2006 proposed final dividend 3 7p)	12,595	18,646
Third interim dividend for the year ended 31 January 2007 of 1 95p per share	13,099	–
	44,589	37,040

8 Earnings per share

From continuing operations

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

	GROUP			GROUP		
	2007 Revenue	2007 Capital	2007 Total	2006 Revenue	2006 Capital	2006 Total
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders (£000)	48,988	143,640	192,628	41,363	398,618	439,981
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			606,026,834			503,968,060

	COMPANY			COMPANY		
	2007 Revenue	2007 Capital	2007 Total	2006 Revenue	2006 Capital	2006 Total
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders (£000)	52,452	142,239	194,691	43,818	395,469	439,287
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			606,026,834			503,968,060

The weighted average number of ordinary shares is arrived at by taking account of 162,939 (46,820) ordinary shares acquired by the Company and held by the Trustee of The Employee Benefit Trust for the Company

Comparative earnings per share have been adjusted to reflect the 10 1 subdivision of the Company's ordinary shares

9 Non current Assets

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Held at fair value investments				
Investments listed on a recognised investment exchange	**2,515,749**	1,991,241	**2,406,562**	1,952,525
Investments in collective investment schemes	**-**	-	**72,296**	-
Unlisted investments	**22,636**	13,502	**22,636**	13,502
Related and subsidiary companies (note 10)	**-**	-	**49,030**	42,233
	2,538,385	2,004,743	**2,550,524**	2,008,260
Investment property	**67,145**	19,500	**67,145**	19,500
	2,605,530	2,024,243	**2,617,669**	2,027,760

2006 £000	GROUP Investments	GROUP Investment Property	GROUP Total	COMPANY Investments	COMPANY Investment Property	COMPANY Related and Subsidiary companies	COMPANY Total
Opening book cost as at 1 February 2005	1,098,426	-	1,098,426	1,082,061	-	12,900	1,094,961
Opening unrealised appreciation	488,885	-	488,885	488,736	-	16,591	505,327
Opening valuation	1,587,311	-	1,587,311	1,570,797	-	29,491	1,600,288
Movements in the period							
Bond Premium Amortisation	(327)	-	(327)	(1)	-	-	(1)
Purchases at cost*	670,818	20,307	691,125	638,621	20,307	15,000	673,928
Sales							
– proceeds*	(652,082)	-	(652,082)	(641,145)	-	-	(641,145)
– realised gains on sales	161,426	-	161,426	161,230	-	-	161,230
(Increase)/Decrease in unrealised appreciation	237,597	(807)	236,790	236,525	(807)	(2,258)	233,460
Closing valuation	2,004,743	19,500	2,024,243	1,966,027	19,500	42,233	2,027,760
Closing book cost	1,278,261	20,307	1,298,568	1,240,766	20,307	27,900	1,288,973
Closing unrealised appreciation	726,482	(807)	725,675	725,261	(807)	14,333	738,787
Closing valuation as at 31 January 2006	2,004,743	19,500	2,024,243	1,966,027	19,500	42,233	2,027,760

2007	GROUP			COMPANY			
£000	Investments	Investment Property	Total	Investments	Investment Property	Related and Subsidiary companies	Total
Opening book cost as at 1 February 2006	1,278,261	20,307	1,298,568	1,240,766	20,307	27,900	1,288,973
Opening unrealised appreciation	726,482	(807)	725,675	725,261	(807)	14,333	738,787
Opening valuation	2,004,743	19,500	2,024,243	1,966,027	19,500	42,233	2,027,760
Movements in the period							
Bond Premium Amortisation	(222)	–	(222)	–	–	–	–
Purchases at cost*	654,295	36,684	690,979	649,706	36,684	713	687,103
Sales							
– proceeds*	(875,851)	–	(875,851)	(869,394)	–	(475)	(869,869)
– realised gains on sales	201,655	–	201,655	201,680	–	–	201,680
Merger – Second Alliance	603,000	9,100	612,100	603,000	9,100	13,542	625,642
Minority investment in PATIF	2,174	–	2,174	–	–	–	–
Increase/(decrease) in unrealised appreciation	(51,409)	1,861	(49,548)	(49,525)	1,861	(6,983)	(54,647)
Closing valuation	2,538,385	67,145	2,605,530	2,501,494	67,145	49,030	2,617,669
Closing book cost	1,861,360	66,091	1,927,451	1,825,757	66,091	41,680	1,933,528
Closing unrealised appreciation	677,025	1,054	678,079	675,737	1,054	7,350	684,141
Closing valuation as at 31 January 2007	2,538,385	67,145	2,605,530	2,501,494	67,145	49,030	2,617,669

* 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 £2,885,000 (£3,676,000)

A geographical analysis of the investment portfolio by broad industrial or commercial sector is given on page 12 A list of the 20 largest investments in the portfolio is given on page 12

The investment properties were valued as at 31 December 2006 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 2007 is unchanged from this figure The historic cost of the investment properties is £66,091,000

	GROUP		COMPANY	
£000	2007	2006	2007	2006
Office Premises Freehold/Heritable Property				
Closing valuation	**900**	450	**900**	450
Motor Vehicles				
Opening net book value	**16**	–	**7**	–
Additions at cost	**35**	24	**16**	10
Depreciation	**(19)**	(8)	**(9)**	(3)
Closing net book value	**32**	16	**14**	7

J & E Shepherd, Chartered Surveyors, valued the office premises at 31 May 2006 at £900,000 on the basis of market value The valuation was in accordance with RICS Appraisal and Valuation Standards The Directors consider this valuation is still appropriate at 31 January 2007 The historic cost of the office premises is £292,000

10 Subsidiaries

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

Name	Shares held	Country of incorporation	Principal Activity
Alliance Trust Savings Limited ('ATS')	Ordinary	Scotland	Deposit taking, provision and administration of investment and pension products
Alliance Trust (Finance) Limited ('ATF')	Ordinary	Scotland	Asset holding
ATS Trust Corporation Limited ('ATSTC')	Ordinary	England	Trustee
Alliance Trust Pensions Limited ('ATP') (formerly Wolanski & Co Trustees Limited)	Ordinary	England	Trustee and pensions administration
Alliance Trust Leasing Limited ('ATL')	Ordinary	Scotland	Inactive
AT2006 Limited ('AT2006')	Ordinary	Scotland	Intermediate holding company
Second Alliance Trust Limited ('SATL')	Ordinary	Scotland	Inactive
Second Alliance Leasing Limited ('SAL')	Ordinary	Scotland	Leasing
Alliance Trust Real Estate Partners (GP) Limited ('ATREP')	Ordinary	Scotland	General Partner
Alliance Trust Real Estate Partners LP	–	Scotland	Limited Partnership
AT Asset Management (Asia Pacific) Limited ('ATAM')	Ordinary	Hong Kong	Investment management
Alliance Trust Services Limited ('ATSL')	Ordinary	Scotland	Employment services
Alliance Trust Asset Management Limited ('ATAML')	Ordinary	Scotland	Intermediate holding company
Albany Venture Managers Limited ('AVML')	Ordinary	Scotland	Investment management
Albany Venture Managers GP Limited ('AVMGP')	Ordinary	Scotland	General Partner
Albany Ventures GP 1 Limited ('AVGP1')	Ordinary	Scotland	General Partner
Premier Alliance Trust Investment Funds Limited ('PATIF')	Ordinary	England	Open Ended Investment Company ('OEIC')

Merger

The Company merged with The Second Alliance Trust PLC on 21 June 2006 As part of the merger arrangements the Company's shareholders received ten new shares for every one which they previously held, increasing the Company's issued share capital to 504,000,000 shares Pursuant to the merger the Company issued 8 7453 new shares for every one Second Alliance share, resulting in the issue of 167,909,760 new ordinary shares, representing 25% of the Company's enlarged share capital, and the Company acquired the Second Alliance, which represented 25% of its enlarged net assets

Prior to the merger with the Second Alliance Trust PLC, the Company owned 75% each of ATS and ATF with the remaining 25% of each owned by the Second Alliance Trust At 31 January 2007 the Company owned 100% of ATS, ATF, AT2006, SAL, ATREP, ATAM and AVMH

ATF owns 100% of ATL and ATSTC, ATS owns 100% of ATP, AT2006 owns 100% of SATL, ATAML owns 100% of AVML, AVMGP and AVGP1

On 31 January 2007 ATSL became the employer for all Group employees (other than those employed by ATAM and AVML)

The company has seeded Premier Alliance Trust Investment Funds Limited ('PATIF'), a UK domiciled Open Ended Investment Company At 31 January 2007 it owned 92 5% of the shares in issue and as such has to consolidate PATIF and account for minority interest

Acquisition of Albany Venture Managers (Holdings) Limited

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

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

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

The investment in subsidiary companies is valued in the Company's accounts at £49,030,000 (£42,223,000) being the value of the Company's equity interests taking into account securities at fair value

A summarised statement of the balance sheets of ATS and ATF is shown below The reports and accounts of all subsidiary companies are delivered to the Registrar of Companies

11 ATS and ATF summarised balance sheets

	ATS GROUP		ATF GROUP	
£000	2007	2006	2007	2006
Investments	16,648	18,003	18,069	19,569
Other fixed assets	4,880	1,750	–	–
Goodwill	4,707	7,531	–	–
Customer contracts	2,110	2,110	–	–
Money at call and short notice	131,846	97,009	2,503	2,637
	160,191	126,403	20,572	22,206
Financed by				
Amounts due to depositors	126,463	90,264	–	–
Creditors less debtors	5,511	2,937	652	240
	131,974	93,201	652	240
Shareholder funds	28,217	33,202	19,920	21,966
	160,191	126,403	20,572	22,206

12. Intangible Assets

£000	GROUP Goodwill	Technology systems	Customer contracts	Total	COMPANY Technology systems
Other fixed assets					
Opening book cost at 1 February 2005	–	–	–	–	–
Additional goodwill recognised	6,127	–	–	6,127	–
Additions at cost	–	1,981	2,110	4,091	197
Amortisation	–	(66)	–	(66)	(23)
Gross amount	6,127	1,981	2,110	10,218	197
Accumulated amortisation	–	(66)	–	(66)	(23)
Carrying amount at 31 January 2006	6,127	1,915	2,110	10,152	174
Opening book cost at 1 February 2006	6,127	1,915	2,110	10,152	174
Additional goodwill recognised	297	–	–	297	–
Additions at cost	–	4,536	–	4,536	1,368
Amortisation	–	(72)	(105)	(177)	(28)
Gross amount	6,424	6,517	2,110	15,051	1,565
Accumulated amortisation	–	(138)	(105)	(243)	(51)
Carrying amount at 31 January 2007	6,424	6,379	2,005	14,808	1,514

Goodwill impairment testing

Goodwill has arisen on the acquisition of companies and certain other business and assets It is subject to an annual impairment review Where this indicates that the carrying value is not recoverable it is written down through the income statement There is no impairment loss for the year (2006 nil)

13 Deferred Tax

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
As at 31 January 2006	**2,627**	142	**91**	112
Deferred tax assets arising on acquisition	–	2,345	–	–
Transfer to current tax in respect of acquisition	**(759)**	(250)	–	–
Release of asset on reduction of pension scheme liability	**(77)**	(11)	**(77)**	(11)
Transfer (from)/to deferred tax	**(401)**	401	–	(10)
As at 31 January 2007	**1,390**	2,627	**14**	91

14. Other Financial Assets

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Other receivables				
Amounts receivable from equity instruments	**2,985**	2,027	**2,985**	2,027
Other income receivable	**9,280**	1,835	**–**	–
Amounts receivable in respect of sales of investments awaiting settlement	**10,152**	5,508	**10,152**	5,508
Taxation recoverable	**3,183**	796	**871**	632
Amount due from subsidiary company	**–**	–	**973**	–
Other debtors	**7,226**	1,986	**462**	201
	32,826	12,152	**15,443**	8,368

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

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less The carrying amount of these assets approximates to their fair value

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets

The credit risk on liquid funds is relatively low because the counterparties are banks with high credit ratings assigned by international credit rating agencies

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

15 Other Financial Liabilities

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Amounts due to depositors	**126,463**	89,802	**–**	–
Amount payable in respect of purchases of investments awaiting settlement	**8,160**	2,108	**8,160**	2,108
UK corporation tax payable	**1,473**	1,348	**1,559**	1,084
Amount due to subsidiary company	**–**	–	**164**	–
Other creditors	**20,571**	9,473	**2,655**	2,339
	156,667	102,731	**12,538**	5,531

16. Bank Overdrafts and Loans

£000	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Bank overdraft	**5,188**	39	**–**	39
Bank loans repayable within one year	**–**	54,798	**–**	54,798
	5,188	54,837	**–**	54,837
Analysis of borrowings by currency				
Bank loans – US Dollars	**–**	54,798	**–**	54,798
The weighted average % interest rates paid				
Bank loans	–	4 93%	**–**	4 93%

A bank loan of $97 5 million ($97 5m) was arranged at a fixed rate and exposed the Group to fair value interest rate risk The loan was repaid in full during the financial year

The directors estimate the fair value of the borrowings				
Bank Loans	–	54,798	–	54,798

17 Share Capital

£000	2007	2006
Prior to the merger with the Second Alliance Trust PLC		
Authorised 50,400,000 ordinary shares of 25p each	**12,600**	12,600
Allotted, called up and fully paid 50,400,000 ordinary shares of 25p each	**12,600**	12,600
After the merger with the Second Alliance Trust PLC		
Authorised 720,000,000 ordinary shares of 2 5p each	**18,000**	–
Allotted, called up and fully paid 671,909,760 ordinary shares of 2 5p each	**16,798**	–

As part of the merger arrangements the Company's shareholders received ten new ordinary shares for every one which they previously held, increasing the Company's issued share capital to 504,000,000 shares Pursuant to the merger the Company issued 8 7453 new shares for every one Second Alliance share, resulting in the issue of 167,909,760 new ordinary shares

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

18. Reserves

GROUP

£000	Share Capital	Capital Reserve (Realised)	Capital Reserve (Unrealised)	Merger Reserve	Capital Redemption Reserve	Revenue Reserves	Minority Interest	Total
Net assets at 31 January 2005	12,600	1,065,847	489,878	–	–	66,361	9,830	1,644,516
Dividend paid	–	–	–	–	–	(36,664)	–	(36,664)
Net profit for year	–	161,828	236,790	–	–	41,363	248	440,229
Own shares purchased		(112)	–	–	–	–	–	(112)
Pension Scheme Financing	–	25		–	–	–	–	25
Transfer to capital redemption reserve	–	(2,200)			2,200	–	–	–
Investment in subsidiary	–	–	–	–	–	–	5,000	5,000
Dividend from subsidiary	–	–	–	–	–	–	(1,000)	(1,000)
Net assets at 31 January 2006	12,600	1,225,388	726,668	–	2,200	71,060	14,078	2,051,994
Dividend paid		–		–	–	(50,136)	–	(50,136)
Net profit for year	–	196,411	(52,771)	–	–	48,988	(462)	192,166
Merger	4,198	202	–	645,335	–	3,367	(13,616)	639,486
Own shares purchased	–	(321)	–	–	–	–	–	(321)
Pension Scheme Financing	–	304	–	–	–	–	–	304
SMEIP reserve movement	–	197	–	–	–	175	–	372
Premier Alliance Trust Investment Funds ('PATIF')	–	–		–	–	–	6,290	6,290
Net assets at 31 January 2007	16,798	1,422,181	673,897	645,335	2,200	73,454	6,290	2,840,155

COMPANY

£000	Share Capital	Capital Reserve (Realised)	Capital Reserve (Unrealised)	Merger Reserve	Capital Redemption Reserve	Revenue Reserves	Total
Net assets at 31 January 2005	12,600	1,065,419	505,487	–	–	51,180	1,634,686
Dividend paid	–	–	–	–	–	(36,664)	(36,664)
Net profit for year	–	162,009	233,460	–	–	43,818	439,287
Own shares purchased	–	(112)	–	–	–	–	(112)
Pension Scheme Financing	–	25	–	–	–	–	25
Transfer to capital redemption reserve	–	(2,200)	–		2,200	–	0
Net assets at 31 January 2006	12,600	1,225,141	738,947	–	2,200	58,334	2,037,222
Dividend paid	–	–	–	–	–	(50,136)	(50,136)
Net profit for year	–	196,273	(54,034)	–	–	52,452	194,691
Own shares purchased		(321)	–	–	–	–	(321)
Pension Scheme Financing	–	304		–	–	–	304
Merger	4,198	–	–	645,335	–	–	649,533
SMEIP reserve movement	–	177	–	–	–	146	323
Net assets at 31 January 2007	16,798	1,421,574	684,913	645,335	2,200	60,796	2,831,616

19 Net Asset Value per Ordinary Share

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

	GROUP		COMPANY	
£000	**2007**	**2006**	**2007**	**2006**
Equity shareholder funds (£000)	**2,833,865**	2,037,916	**2,831,616**	2,037,222
Number of shares at year end	**671,746,821**	503,953,180	**671,746,821**	503,953,180

The number of ordinary shares has been reduced by 162,939 (46,820) ordinary shares acquired by the Company and held by the Trustee of the Employee Benefit Trust for the Company

Comparative number of shares has been restated to reflect the 10 1 subdivision of the Company's ordinary shares

20 Related party transactions

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

ATF purchases goods and services on behalf of the Group and recharges these costs directly to the companies that these costs relate to During the year, the Company reimbursed ATF £6,403,000 in respect of such costs while ATS reimbursed ATF £9,258,000

Transactions with Key Management Personnel

For the purposes of IAS 24 'Related Party Disclosures', key management personnel comprise the executive directors of the Company Their remuneration and other compensation is summarised below

£000	2007	2006
Total emoluments	**967**	901
Post retirement benefits	**113**	112
Equity compensation benefits	**65**	31

Other related party transactions are not material to either party

21 Analysis of change in net funds

GROUP

£000	2005	Cash flow	Exchange gains/(losses)	2006	Cash flow	Exchange gains/(losses)	2007
Cash at bank and in hand	1,626	4,767	–	6,393	7,617	–	14,010
Bank deposits	140,212	12,406	1,165	153,783	180,429	(1,651)	332,561
Debenture stock	(1,648)	1,648	–	–	–	–	–
Bank loans and overdraft	–	(54,837)	–	(54,837)	49,649	–	(5,188)
	140,190	(36,016)	1,165	105,339	237,695	(1,651)	341,383

COMPANY

£000	2005	Cash flow	Exchange gains/(losses)	2006	Cash flow	Exchange gains/(losses)	2007
Cash at bank and in hand	3	4,674	–	4,677	14,181	–	18,858
Bank deposits	39,747	15,405	1,165	56,317	135,123	(1,651)	189,789
Debenture stock	(1,648)	1,648	–	–	–	–	–
Bank loans and overdraft	–	(54,837)	–	(54,837)	54,837	–	–
	38,102	(33,110)	1,165	6,157	204,141	(1,651)	208,647

22 Financial commitments

Financial commitments of the Company as at 31 January 2007, which have not been accrued, amounted to £37,032,030 (£4,385,913) in respect of uncalled subscriptions in investments structured as limited liability partnerships

23 Financial instruments

The Directors' Report details the Company's approach to investment risk management on page 31 and the accounting policies on pages 57 to 60 and explain the basis on which currencies and investments are valued for accounting purposes

No derivatives were used All assets and liabilities are carried at fair value

£000	Overseas investments 2007	Net monetary assets 2007	Total currency exposure 2007	Overseas investments 2006	Net monetary assets 2006	Total currency exposure 2006
US dollar	**332,892**	**14,703**	**347,595**	302,048	(51,829)	250,219
Euro	**266,763**	**54,663**	**321,426**	227,759	29,676	257,435
Yen	**163,793**	**33,936**	**197,729**	214,286	1,907	216,193
Other non sterling	**334,542**	**14,394**	**348,936**	182,556	12,199	194,755
	1,097,990	**117,696**	**1,215,686**	926,649	(8,047)	918,602

A portion of the financial assets and liabilities of the Company are denominated in currencies other than sterling with the effect that net assets and total return can be significantly affected by currency movements

24 Share Based Payments

The Group operates two 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 prorated for part time employees Individuals receive these shares free of all restrictions after a period of 5 years For the year to 31 January 2007 awards of £1,312 (£1,854) per person will be made The maximum cost of all awards for the year to 31 January 2007 will be £193,619 (£223,125) of which the Company will pay £64,342 (£63,114) and the Group £193,619 (£198,725) Last year the Second Alliance Trust PLC contributed £24,400

Senior Management Equity Incentive Plan ('SMEIP')

Executive Directors and senior managers are members of the SMEIP At least half of their annual bonus is applied to purchase shares in the Company to be held in an Employee Benefit Trust ('EBT') and after a deferral period of three years an award of additional matching shares may be made For more details see pages 47 to 49 Share price and number of share figures in the paragraphs following have been adjusted to reflect the 10 1 subdivision of the ordinary shares

In the year to 31 January 2007 participating employees applied a proportion of their annual cash bonuses for the year ended 31 January 2006 to purchase 67,700 (28,050) Company shares at a price of £3 78 (£2 80) and matching awards of up to 140,360 (77,410) shares in the Company were granted The matching awards vest after a period of three years dependent upon the achievement of targets based upon the total shareholder return ('TSR') of the Company's shares during that period, investment manager performance and stretching personal job objectives All matching awards for Executive Directors are dependent solely upon TSR

Matching awards made during the year were valued at £290,703 (£100,948) of which £181,086 (£76,322) related to awards with TSR performance conditions and £109,617 (£24,626) related to awards with other performance conditions The fair value of the awards was based upon a share price of £3 78 (£2 80)

For awards with TSR performance conditions a risk free rate of return of 4 56% and a dividend yield of 1 07% were assumed

For awards with other performance conditions the fair value of the award was taken as the share price on the date of the award for the achievement of the performance objectives

The cumulative charge to the income statement during the year for the cost of matching awards for the plans was £142,541 (£37,521) for the Company and £203,614 (£49,078) for the Group Per IFRS 2 the costs of matching awards for each plan are expensed over the three year performance period

Merger

As part of the merger arrangements with the Second Alliance Trust PLC, participants in the 2005 SMEIP for that company were offered replacement matching awards in Alliance Trust PLC which are subject to the same terms and conditions as the awards that they replaced Further details can be found in the Directors' Remuneration Report (pages 42 52)

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 entitled to receive contributions into their own Self Invested Personal Pension ('SIPP') provided by Alliance Trust Savings Limited

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

Participating Employers

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

Valuation and Contributions

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2006 although for the purpose of these calculations the valuation has been updated on an approximate basis to 31 January 2007 Valuations are on the projected unit credit method

The contributions made by the Participating Employers over the financial year have been £1,038,173 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	31 January 2007	31 January 2006
Defined benefit obligation at start of year	**19,437**	15,652
Current service cost	**1,290**	1,096
Interest cost	**956**	847
Actuarial (gain)/loss	**(749)**	1,994
Benefits paid, death in service insurance premiums and expenses	**(243)**	(152)
Defined benefit obligation at end of year	**20,691**	19,437

The Group has no unfunded pension obligations

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

£000	31 January 2007	31 January 2006
Fair value of assets at start of year	**19,099**	15,265
Expected return on assets	**1,161**	956
Actuarial (losses)/gains	**(183)**	2,028
Contributions by employer	**1,038**	1,002
Benefits paid, death in service insurance premiums and expenses	**(243)**	(152)
Fair value of assets at end of year	**20,872**	19,099

Total expense recognised in income statement (administrative expenses)

£000	31 January 2007	31 January 2006
Current service cost	**1,290**	1,096
Interest on pension scheme liabilities	**956**	847
Expected return on pension scheme assets	**(1,161)**	(956)
Total expense	**1,085**	987

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

	31 January 2007	31 January 2006
Difference between expected and actual return on scheme assets		
Amount	**(183)**	2,028
Percentage of scheme assets	**(1%)**	11%
Experience gains and losses arising on the scheme liabilities		
Amount	**(357)**	(125)
Percentage of present value of scheme liabilities	**(2%)**	(1%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities		
Amount	**1,106**	(1,869)
Percentage of present value of scheme liabilities	**5%**	(10%)
Total amount recognised in statement of recognised income and expense		
Amount	**566**	34
Percentage of present value of scheme liabilities	**3%**	0%

Assets

£000	31 January 2007	31 January 2006	31 January 2005
Equities	**10,610**	10,268	7,698
Bonds	**9,462**	8,391	7,061
Cash	**800**	440	506

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

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

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 2007 % per annum	31 January 2006 % per annum	31 January 2005 % per annum
Equities	**7 50%**	7 00%	7 00%
Bonds	**5 00%**	4 75%	5 25%
Cash	**5 00%**	4 50%	4 75%
Overall for scheme	**6 27%**	5 94%	6 09%

Actual return on plan assets

The actual return on the plan assets over the year ending 31 January 2007 was 5 0%

Assumptions

	31 January 2007 % per annum	31 January 2006 % per annum	31 January 2005 % per annum
Inflation	**3 25**	3 00	3 00
Salary increases	**4 25**	4 00	4 00
Rate of discount	**5 25**	4 75	5 25
Allowance for pension in payment increases of RPI or 5% p a if less	**3 25**	3 00	3 00
Allowance for revaluation of deferred pensions of RPI or 5% p a if less	**3 25**	3 00	3 00

The mortality assumptions adopted at 31 January 2007 imply the following life expectancies from age 60

Male currently age 40	24 5
Female currently age 40	27 5
Male currently age 60	24 5
Female currently age 60	27 5

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

£000	31 January 2007	31 January 2006	31 January 2005
Present value defined benefit obligation	**20,691**	19,437	15,652
Fair value of plan assets	**20,872**	19,099	15,265
Surplus/(Deficit) in scheme	**181**	(338)	(387)

In accordance with custom and practice since the establishment of the scheme in 1949, prior to the merger contributions to the scheme were made by the Company and the Second Alliance Trust PLC in the ratio of 75 25 to the extent that they were not met by the other Participating Employers, which were in any event owned by the Company and the Second Alliance Trust PLC in the same proportions The Company had a formal arrangement with the Second Alliance Trust PLC to share the benefit of any surpluses and the liability of any deficits in the ratio of 75 25 The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expenses of the Company since adoption of IAS19 is £600,000

All actuarial gains and assets are recognised immediately

Best estimate of contributions to be paid to plan for the year ending 31 January 2008

The best estimate of contributions to be paid to the plan for the year ending 31 January 2008 is £1,110,000, being 27 6% of total pensionable salaries of Scheme members who remained in active employment at 31 January 2007

Amounts for the current year and previous four years

£000	2007	2006	2005	2004	2003
Fair value of assets	20,872	19,099	15,265	13,046	10,287
Defined benefit obligation	20,691	19,437	15,652	12,365	12,251
Surplus/(deficit) in plan	181	(338)	(387)	681	(1,964)
Experience adjustment on plan liabilities	(357)	(125)	(135)	1,169	(762)
Experience adjustment on plan assets	(183)	2,028	577	1,303	(2,235)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	1,106	(1,869)	1,528	262	(400)

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 contact@alliancetrust co uk

For security and compliance monitoring purposes telephone calls may be recorded

Investor Relations

Our Head of Investor Relations, Kelly O'Donnell, can be contacted at our registered office (detailed above)

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

Registrars

Our registrars are

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

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

Data Protection

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

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

Electronic Communications

If you hold your shares in your own name we are able to send you annual reports and notices of meetings electronically instead of in paper format If you wish to register for this service please log on to **www alliancetrust co uk/ec htm** which will provide you with a link to our registrars' website

Taxation

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

Income Tax

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

If you hold your shares in your own name, the tax voucher which you need for your tax records will be sent to the address we have for you on the register maintained by Computershare The Registrar will send a consolidated tax voucher to members after the January quarterly dividend is paid

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

Capital Gains Tax

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

Risks

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

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

Table of Indices (sterling adjusted) to 31 January 2007

	1 year absolute (%)	10 years absolute (%)	10 years compound (%)
FTSE All Share Index	9 7	53 9	4 4
FTSE World Index	4 0	54 2	4 4
MSCI World Index	3 7	48 1	4 0
FTSE World ex UK Index	3 5	54 7	4 5
US Standard & Poor's 500 Index	2 0	49 8	4 1
NASDAQ Composite Index	(3 0)	46 2	3 9
Wilshire 5000 Total Market Index	1 9	57 0	4 6
FTSE World Europe ex UK Index	14 4	99 5	7 1
FTSE Asia Pacific ex Japan Index	5 6	2 9	0 3
Tokyo Topix Index	(11 6)	3 1	0 3
Hang Seng Index	15 1	22 6	2 1
UK Investment Property Databank Index	12 0	81 6	6 1
Retail Prices Index	4 2	30 6	2 7
Consumer Price Index	2 7	13 7	1 3

Appreciation/(depreciation) of Sterling against major currencies to 31 January 2007

	1 year absolute (%)	10 years absolute (%)
Appreciation of £ against US$	10 1	22 1
Appreciation of £ against Japanese Yen	13 8	21 7
Appreciation of £ against Euro	2 9	11 0

*Appreciation of £ against ECU to £1 up to Jan 1999

Key dates

Annual General Meeting

The 119th Annual General Meeting of the Company will be held at 11 00am on Thursday 24 May 2007 at the Hilton Hotel, Dundee The notice of the meeting is sent separately to shareholders

Financial Calendar

Proposed dividend payment dates for the financial year to 31 January 2008

31 July 2007
31 October 2007
31 January 2008
30 April 2008

Alliance Trust Investor Forums

If you would like to attend, please call us on 01382 306040 or email events@alliancetrust co uk If you would like to bring a guest along, please let us know

Date	Location	Start times
2 May 2007	Manor of Groves Hotel, High Wych, Sawbridgeworth, Hertfordshire	10 30am & 6 30pm
12 June 2007	De Vere Grand Hotel, King's Road, Brighton, East Sussex	10 30am & 6 30pm
4 September 2007	Royal York Hotel, Station Road, York	10 30am & 6 30pm
30 October 2007	Crieff Hydro, Crieff, Perthshire	10 30am & 6 30pm

Senior members of the Alliance Trust team will be presenting at the above events and we would be delighted if you could join us

AIC Events Calendar

If you wish to attend any of the events organised by the AIC at which we will be exhibiting, you should contact the AIC direct by calling the Events Team on 020 7282 5564 or emailing eventsteam@theaic.co uk

Date	Location	Start times
6 June 2007*	Dunblane Hydro Hotel, Dunblane, Perthshire	12 30pm
19 September 2007	Ascot Racecourse, Berkshire	12 30pm
7 November 2007	De Vere at Grand Harbour, Southampton, Hampshire	12 30pm

* We will be presenting as part of this event

Investor Chronicle Roadshows

Date	Location	Start times
10 May 2007	London	9 30am & 5 30pm
15 May 2007	Bristol	9 30am & 5 30pm
17 May 2007	Glasgow	9 30am & 5 30pm
8 November 2007	London	9 30am & 5 30pm
13 November 2007	Manchester	9 30am & 5 30pm
15 November 2007	Edinburgh	9 30am & 5 30pm

We will be sponsoring and speaking at the Investors Chronicle Roadshows

To register for the events, please call **0208 950 9117** or email **ft@bellsize co uk**

Details of any further events which we will be running or attending will be posted on our web site, **www alliancetrust co uk** If you have any questions or comments, please call Alison Henderson, Head of Events & Sponsorship, on **01382 306047**, or email **events@alliancetrust co uk**