

Results for the half year to 31 July 2005 (unaudited)

The Alliance Trust PLC is now required to present its consolidated financial statements applying International Financial Reporting Standards ("IFRS"). Previously, financial statements were produced under UK Generally Accepted Accounting Practice ("GAAP"), the date of transition to IFRS being 1 February 2004. This means that the Statement of Total Return has been replaced by a Consolidated Income Statement (which does however still distinguish income between revenue and capital), that the basis of the valuation of assets has altered slightly and that there are certain differences in the forms of disclosure. The most significant change is that the reported net asset value per share has increased mainly because dividends declared after the balance sheet date are no longer treated as a liability. These changes increased net assets per share as at 31 January 2005 from £32.16 to £32.44.

These preliminary IFRS financial statements may require adjustment before their inclusion in the final IFRS financial statements for the year ended 31 January 2006 because of subsequent revisions or changes to IFRS, or guidance and consensus on the application or interpretation of IFRS.

Historic financial information in this report is restated to conform to relevant IFRS.

	2005	2004	Change
Interim dividend	36.5p	35.5p	2.8%
Amount payable 30 September 2005 per ordinary share			
Ex dividend 14 September 2005			
£000	6 months to July 2005	6 months to July 2004 *	Year to January 2005 *
Company income			
revenue	30,630	27,591	47,655
capital	162,578	2,927	146,526
	<u>193,208</u>	<u>30,518</u>	<u>194,181</u>
Subsidiaries' income			
revenue	4,283	3,256	7,297
capital	(152)	(139)	92
	<u>4,131</u>	<u>3,117</u>	<u>7,389</u>
Total income	<u>197,339</u>	<u>33,635</u>	<u>201,570</u>
Company expenses	(2,872)	(2,539)	(5,358)
Subsidiaries' expenses	(3,061)	(2,107)	(4,311)
	<u>(5,933)</u>	<u>(4,646)</u>	<u>(9,669)</u>
Company finance costs	(37)	(87)	(174)
Subsidiaries' finance costs	(948)	(634)	(1,527)
	<u>(985)</u>	<u>(721)</u>	<u>(1,701)</u>
Consolidated profit before taxation	<u>190,421</u>	<u>28,268</u>	<u>190,200</u>

* Restated

	31 July 2005	31 January 2005	Change
Net Asset Value	3579.0p	3244.0p*	10.3%
Share price	2985.0p	2741.0p	8.9%
FTSE All-Share Index	2644.8	2441.2	8.3%
FTSE World Index ex UK (sterling adjusted)	277.6	246.6	12.6%

* Restated

Alliance Trust Savings¹

At 31 July 2005		Change ²
Total customer assets ³	£1,609m	11.3%
Alliance Trust holding ⁴	17.83%	1.3%

1 Alliance Trust owns 75% of ATS

2 Change is since 1 February 2005

3 Aggregate value of assets administered by ATS

4 % of ordinary shares of the Alliance Trust held in ATS plans

Income and Dividend

Over the six months to 31 July 2005 our consolidated profit before tax was £190.4m (£28.3m) of which £28.2m (£25.5m) comprised net revenue and £162.2m (£2.8m) net capital appreciation on the Group's assets. The table on the left analyses the contribution to income between the Company and its subsidiaries. Increased dividend earnings from companies in our portfolio and a higher level of interest earned due to increased liquidity have contributed to this increase.

An interim dividend of 36.5p per ordinary share will be paid on 30 September 2005. We expect to be able to recommend a final dividend of at least 36.5p payable in May 2006.

Total Company expenses were £2.9m compared to £2.5m last year. Expenses of subsidiary companies rose to £3.1m. Subsidiaries' finance costs principally relate to interest paid to ATS customers. We continue to modernise the Group's infrastructure by the introduction of new technology systems and to invest in staff. We consider this investment essential if the Group is to be well positioned to deliver performance in the Company and its subsidiaries going forward.

Capital

In the six months to 31 July 2005, the Company's net asset value per share rose by 10.3%, the FTSE All-Share Index rose by 8.3% and the sterling adjusted FTSE World Index, excluding the UK, rose by 12.6%. During the period approximately half of the Company's assets were invested in the UK, with the balance invested overseas.

Over the six months the share price rose by 8.9% to £29.85.

Financial Services Business

Customer assets administered in ATS were £1.6bn at 31 July 2005. Over the six months there was a 13% rise in assets in the ATS Select Pension and net inflows to ATS rose by 9% overall. ATS is well positioned to take advantage of the opportunities that will open up when pensions simplification takes place in April 2006 and is investing in its own business to take advantage of this opportunity as well as in the broader market for its products and services.

Investment Report

Economic and Market Background

The six months under review have been characterised by growing uncertainty surrounding the oil price, currently at a record high level. Few manufacturing companies have been able to pass on cost increases fully, and the resulting squeeze on profit margins, especially in regions where manufacturing predominates, has lowered companies' confidence. That could delay new investment in both capital and labour which is critical for balanced growth.

Despite this background, US economic activity has held up remarkably well so far. For consumers, a higher oil price acts as a tax on discretionary spending although, in the US at least, the impact on confidence has been mitigated by the underlying strength of its housing market.

Confidence in the ability of policy makers to continue to guide the global economy through this testing time has also underpinned stock market performance. All of the major markets ended the six months higher, most notably across Europe where, despite its current relatively poor economic climate, prospects for corporate restructuring and takeovers resulted in a sterling adjusted appreciation of 11.9% in the regional index. Although the gain on the North American market was much smaller, the appreciation of the dollar boosted that to 13.5% on a sterling adjusted basis.

Investment Activity

In January, at the start of our financial year we held more in the equity market than for some time. However, we then reflected our caution about the economic outlook by raising more cash through net sales of investments in the UK, North America and Asia, although we increased our exposure to European equities. We made net sales in sectors such as utilities and services but added to resources stocks. We reduced our fixed income exposure with net sales of £8m and, as yet, we have not made a direct investment in property.

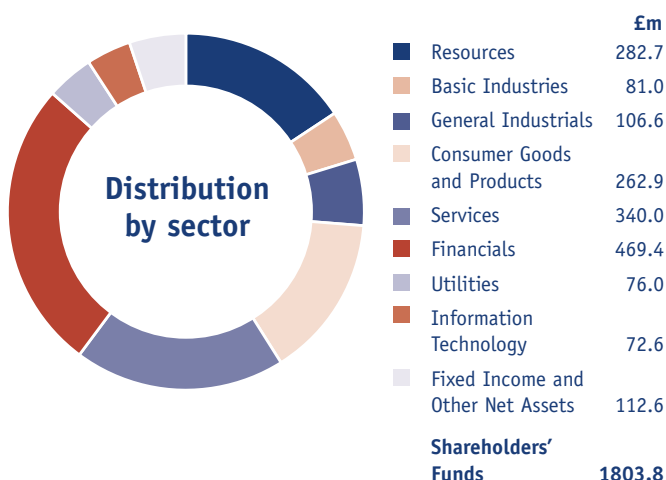
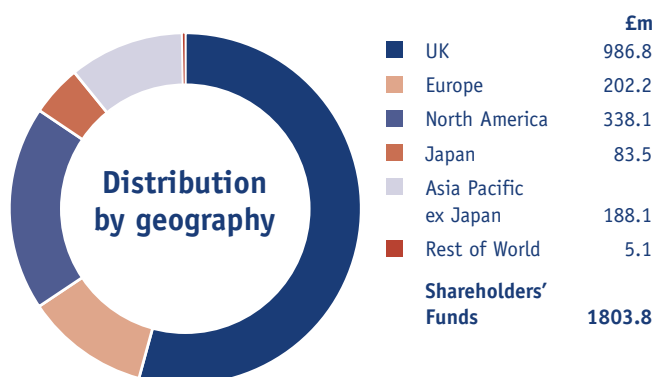
Outlook

The outlook for the global economy is still far from clear given the uncertainties created by higher energy costs, despite the impact on quality companies appearing to be limited so far. If oil and gas prices do not undermine economic activity more broadly, we would expect US short term interest rates to be raised further. Higher longer term rates could adversely affect the housing market which is critical for consumer confidence and spending. House price growth has mostly slowed in the UK where signs of rising unemployment and lower levels of activity have already encouraged policy makers to cut interest rates.

Activity in China, which is now a major influence on the world economy, remains robust despite earlier fears, but profit margins are being squeezed by higher input costs there and in much of the rest of Asia. China's strong export growth has raised many calls in the West for protectionist measures. The deep anxieties which that engenders may persist until the Chinese authorities edge further towards a truly flexible exchange rate, but allowing further adjustments to occur through market forces should be beneficial for the global economy.

In Europe, confidence is improving tentatively despite the negative impact of high energy costs, and we expect corporate restructuring to continue to support market values, while hopes for sustainable improvement in Japan are crossing new hurdles. We are gradually extending our investment in both areas.

Central banks around the world are clearly committed to maintaining confidence and economic growth, while simultaneously attempting to keep inflation in check. Although we expect the economic environment to be challenging over the next few months, particularly if the oil price rises further, the policy makers are regaining the initiative in being able to adjust to circumstances. We aim to use opportunities as they arise to invest the remainder of our cash.



Figures as at 31 July 2005

4 Interim Financial Statements (unaudited)

Consolidated Income Statement (previous periods restated)

Investment income £000	6 months to 31 July 2005			6 months to 31 July 2004			Year to 31 January 2005		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Investment income	29,890	-	29,890	26,649	-	26,649	45,873	-	45,873
Gains and losses on investments									
Increase(decrease) in fair-value of designated investments									
held	-	78,871	78,871	-	(34,646)	(34,646)	-	74,391	74,391
disposed of	-	82,000	82,000	-	37,715	37,715	-	71,849	71,849
Foreign exchange gains/(losses)	-	1,555	1,555	-	(281)	(281)	-	378	378
Other operating income	5,023	-	5,023	4,198	-	4,198	9,079	-	9,079
Total revenue	34,913	162,426	197,339	30,847	2,788	33,635	54,952	146,618	201,570
Expenses	(5,672)	(261)	(5,933)	(4,646)	-	(4,646)	(9,669)	-	(9,669)
	29,241	162,165	191,406	26,201	2,788	28,989	45,283	146,618	191,901
Finance costs	(985)	-	(985)	(721)	-	(721)	(1,701)	-	(1,701)
Profit before taxation	28,256	162,165	190,421	25,480	2,788	28,268	43,582	146,618	190,200
Taxation	(3,210)	78	(3,132)	(3,152)	-	(3,152)	(4,759)	(601)	(5,360)
Profit for the period	25,046	162,243	187,289	22,328	2,788	25,116	38,823	146,017	184,840
Attributable to:									
Minority interest	67	(38)	29	91	(35)	56	259	23	282
Equity shareholders of the parent	24,979	162,281	187,260	22,237	2,823	25,060	38,564	145,994	184,558
	25,046	162,243	187,289	22,328	2,788	25,116	38,823	146,017	184,840
Earnings per share (see note 4)	49.56p	322.01p	371.57p	44.12p	5.60p	49.72p	76.52p	289.67p	366.19p

	6 months to 31 July 2005		6 months to 31 July 2004		Year to 31 January 2005	
	Per share	Total £000	Per share	Total £000	Per share	Total £000
Ordinary dividends payable for period	36.50p	18,394	35.50p	17,892	71.75p	36,162

Consolidated Balance Sheet

£000	Group		
	31 July 2005	31 July 2004	31 January 2005
Non-current assets			
investments	1,716,756	1,399,662	1,587,311
fixed assets	741	450	450
Current assets	204,518	191,317	150,039
Current liabilities	(108,390)	(86,341)	(90,881)
Non-current liabilities	-	(2,200)	(2,200)
Net assets	1,813,625	1,502,888	1,644,719
Equity attributable to equity shareholders of parent	1,803,766	1,493,283	1,634,889
Minority interest	9,859	9,605	9,830
Total equity	1,813,625	1,502,888	1,644,719
Net asset value per ordinary share (see note 4)	£35.79	£29.63	£32.44

Consolidated Cash Flow Statement

£000	6 months to 31 July 2005	6 months to 31 July 2004	Year to 31 January 2005
	Net cash from operating activities	34,567	32,057
Investing activities	25,149	65,048	25,845
Financing activities - equity dividends paid	(18,270)	(17,892)	(35,784)
- repayment of preference and debenture stocks	(3,848)	-	-
Purchase of fixed assets	(291)	-	-
Own shares acquired	(132)	-	-
Net increase/(decrease) in cash and cash equivalents	37,175	79,213	38,632
Cash and cash equivalents at beginning of period	141,838	102,828	102,828
Effect of foreign exchange rates	1,555	(281)	378
Cash and cash equivalents at end of period	180,568	181,760	141,838

Statement of Changes in Equity

£000	6 months to 31 July 2005	6 months to 31 July 2004	Year to 31 January 2005
	Opening equity shareholders' funds	1,634,889	1,486,115
Total income	187,260	25,060	184,558
Dividends paid	(18,270)	(17,892)	(35,784)
Movement in own shares	(113)	-	-
Closing equity shareholders' funds	1,803,766	1,493,283	1,634,889

Notes to the Financial Statements

- Information for the year to 31 January 2005 is extracted from the financial statements for that year which were prepared under UK GAAP, have been filed with the registrar of companies and which contain an unqualified report from the auditor. Historic financial information has been restated to conform to IFRS.
- The results are unaudited. They should not be taken as a guide to the full year and do not constitute the statutory accounts.
- Expenses comprise £2,872,000 (£2,539,000) incurred by the Company, and £3,061,000 (£2,107,000) incurred by subsidiary companies. Taking guidance from the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" the costs of repaying the Company's debenture stock and preference stocks and those costs of the Senior Management Equity Incentive Plan ("SMEIP") deemed to be related to the capital performance of the Company have been treated as a capital expense of £261,000 in aggregate.
- The earnings per share and the net asset value per share exclude, for the purposes of these disclosures, the 4,682 shares held by the trustee of the SMEIP.
- At the AGM of the Company on 29 April 2005 approval was given to convert the ordinary stock into ordinary shares. In this report, references are to ordinary shares.
- Expenses are charged through the revenue column except where they directly relate to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the proceeds and reflected in the capital column.
- The restated consolidated income statement for the year to 31 January 2005, which takes IFRS into account, is set out below.

£000	Notes	UK GAAP			Effect of IFRS	IFRS		
		Revenue	Capital	Total		Revenue	Capital	Total
Investment income		45,873	-	45,873	-	45,873	-	45,873
Other income		9,079	-	9,079	-	9,079	-	9,079
Total income		54,952	-	54,952	-	54,952	-	54,952
Total expenses		(9,669)	-	(9,669)	-	(9,669)	-	(9,669)
Realised gains on investments		-	71,849	71,849	-	-	71,849	71,849
Increase(decrease) in unrealised appreciation	10	-	74,666	74,666	(275)	-	74,391	74,391
Foreign exchange gains		-	378	378	-	-	378	378
Net return before interest payable and taxation		45,283	146,893	192,176	(275)	45,283	146,618	191,901
Interest payable	10	(1,604)	-	(1,604)	(97)	(1,701)	-	(1,701)
Return before taxation		43,679	146,893	190,572	(372)	43,582	146,618	190,200
Taxation		(4,759)	(601)	(5,360)	-	(4,759)	(601)	(5,360)
Return after taxation		38,920	146,292	185,212	(372)	38,823	146,017	184,840
Minority interest - equity		(259)	(23)	(282)	-	(259)	(23)	(282)
Dividends on preference stock - non-equity	10	(97)	-	(97)	97	-	-	-
Return attributable to equity shareholders		38,564	146,269	184,833	(275)	38,564	145,994	184,558

- 8 The restated consolidated income statement for the six months to 31 July 2004, which takes IFRS into account, and its reconciliation with UK GAAP is set out below.

£000	Notes	UK GAAP			Effect of IFRS	IFRS		
		Revenue	Capital	Total		Revenue	Capital	Total
Investment income		26,649	-	26,649	-	26,649	-	26,649
Other income		4,198	-	4,198	-	4,198	-	4,198
Total income		30,847	-	30,847	-	30,847	-	30,847
Total expenses		(4,646)	-	(4,646)	-	(4,646)	-	(4,646)
Realised gains on investments		-	37,715	37,715	-	-	37,715	37,715
Increase in unrealised appreciation	10	-	(34,871)	(34,871)	225	-	(34,646)	(34,646)
Foreign exchange losses		-	(281)	(281)	-	-	(281)	(281)
Net return before interest payable and taxation		26,201	2,563	28,764	225	26,201	2,788	28,989
Interest payable	10	(672)	-	(672)	(49)	(721)	-	(721)
Return before taxation		25,529	2,563	28,092	176	25,480	2,788	28,268
Taxation		(3,152)	-	(3,152)	-	(3,152)	-	(3,152)
Return after taxation		22,377	2,563	24,940	176	22,328	2,788	25,116
Minority interest - equity		(91)	35	(56)	-	(91)	35	(56)
Dividends on preference stock - non-equity	10	(49)	-	(49)	49	-	-	-
Return attributable to equity shareholders		22,237	2,598	24,835	225	22,237	2,823	25,060

- 9 The make up of restated equity shareholders' funds, which takes IFRS into account, and the reconciliation with UK GAAP are set out below.

£000	Notes	UK GAAP	Effect of IFRS	IFRS
as at 1 February 2004 (opening balance sheet)				
Investments	10	1,466,143	(3,950)	1,462,193
Fixed assets - office premises	10	700	(250)	450
Net current assets	10	18,976	17,892	36,868
Total assets less current liabilities		1,485,819	13,692	1,499,511
Long term liabilities		(13,396)	-	(13,396)
Equity shareholders' funds	10	1,472,423	13,692	1,486,115
as at 31 January 2005				
Investments	10	1,591,536	(4,225)	1,587,311
Fixed assets - office premises	10	700	(250)	450
Net current assets	10	40,888	18,270	59,158
Total assets less current liabilities		1,633,124	13,795	1,646,919
Long term liabilities		(12,030)	-	(12,030)
Equity shareholders' funds	10	1,621,094	13,795	1,634,889
as at 31 July 2004				
Investments	10	1,403,387	(3,725)	1,399,662
Fixed assets - office premises	10	700	(250)	450
Net current assets	10	84,388	22,237	106,625
Total assets less current liabilities		1,488,475	18,262	1,506,737
Long term liabilities		(13,454)	-	(13,454)
Equity shareholders' funds	10	1,475,021	18,262	1,493,283

10 The detailed adjustments made to conform to IFRS are summarised below, taking into account the initial transition to IFRS:

IAS 39 (Revised) "Financial Instruments: Recognition and Measurement": IFRS introduces standard methodology for valuing investments. The Company has designated its securities portfolio to be fair value through profit or loss resulting in a move from a mid price to a bid price basis and a change in the value of the investment portfolio.

IAS 32 (Revised) "Financial Instruments: Disclosure and Presentation": Dividends payable on preference stock are to be presented in the income statement along with interest on other liabilities.

IAS 10 (Revised) "Events After the Balance Sheet Date": Ordinary dividends declared or proposed after the balance sheet date are no longer recognised as a liability in the financial statements. The liability for dividends declared has been removed from the Balance Sheet, increasing the Company's stated net asset value. The restated net assets at 31 July 2004 increased by £22,237,000 being the sum for the six months then ended of the interim dividend of £17,892,000 and the balance of revenue to attributable ordinary shareholders of £4,345,000.

IAS 16 (Revised) "Property, Plant and Equipment": office premises were previously stated on a value in use basis. The valuation now requires to be stated as the open market value.

Adjustments to consolidated income statements

£000	Notes	IAS 39: revaluation of investments	IAS 32: reclass of preference stock	Total
for the year ended 31 January 2005				
Decrease in unrealised appreciation	7	(275)	-	(275)
Interest payable	7	-	(97)	(97)
Dividends on preference stock	7	-	97	97
Transfer to reserves		(275)	-	(275)
for the period ended 31 July 2004				
Increase in unrealised appreciation	8	225	-	225
Interest payable	8	-	(49)	(49)
Dividends on preference stock	8	-	49	49
Transfer to reserves		225	-	225

Adjustments to consolidated balance sheets

£000	Notes	IAS 40: revaluation of office premises	IAS 39: revaluation of investments	IAS 10: dividends	Total
as at 1 February 2004 (opening balance sheet)					
Investments	9	-	(3,950)	-	(3,950)
Fixed assets - office premises	9	(250)	-	-	(250)
Net current assets	9	-	-	17,892	17,892
		(250)	(3,950)	17,892	13,692
as at 31 January 2005					
Investments	9	-	(4,225)	-	(4,225)
Fixed assets - office premises	9	(250)	-	-	(250)
Net current assets	9	-	-	18,270	18,270
		(250)	(4,225)	18,270	13,795
as at 31 July 2004					
Investments	9	-	(3,725)	-	(3,725)
Fixed assets - office premises	9	(250)	-	-	(250)
Net current assets	9	-	-	22,237	22,237
		(250)	(3,725)	22,237	18,262

Restatement of shareholders' funds

£000	31 January 2005	1 February 2004	31 July 2004
Equity and preference shareholders' funds under UK GAAP	1,623,294	1,474,623	1,477,221
Standards applicable to all periods:			
Net current asset adjustment	18,270	17,892	22,237
Revaluation of office premises	(250)	(250)	(250)
Revaluation of investments	(4,225)	(3,950)	(3,725)
Preference stock	(2,200)	(2,200)	(2,200)
Equity shareholders' funds under IFRS	1,634,889	1,486,115	1,493,283