

# Interim Report

for the six months ended 31 July 2009



# Interim Report

## Statement of Investment Objective and Policy

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

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

We pursue our objective by:

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

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

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

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

Company Statistics	31 July 2009	31 January 2009	Change
Net Asset Value (basic)	338.3p	316.8p	6.8%
Net Asset Value (diluted)	337.4p	315.9p	6.8%
Share Price*	286.8p	268.0p	7.0%
Discount to basic Net Asset Value	15.2%	15.4%	

Performance for 6 months to 31 July 2009	Capital	Total Return
Share Price	7.0%	8.8%
FTSE All-Share Index	13.2%	16.1%
FTSE All-World Index (sterling adjusted)	12.1%	14.2%

Performance Relative to Peer Group to 31 July 2009 (Total Return)**	6 months	1 Year	3 Years	5 Years
Ranking***	36/44	16/44	24/37	24/34

\* Source: FactSet

\*\* The peer group consists of the companies in the AIC Global Growth and Global Growth and Income sectors and is listed in full in our annual report and accounts for 2009. F&C Managed Portfolio - Growth and F&C Managed Portfolio - Income were added to the peer group in the period.

\*\*\* Source: Thomson Financial, Fundamental Data, AIC and Cazenove

## Performance Summary

### This interim report sets out the results of Alliance Trust PLC for the six months ended 31 July 2009.

Over the past six months the Company's basic net asset value per share increased by 6.8%. The Total Shareholder Return (TSR) was 8.8% over the period. The discount to net asset value was much more stable than in the preceding six months ending at 15.2%, broadly in line with the discount at the start of the financial year. The return for the period compares to a total return of 14.2% on the FTSE All-World Index.

The TSR is ranked at 16 out of a peer group of 44 Global Growth and Global Growth and Income Investment Trusts over the last twelve months but has fallen to 36 out of 44 when measured over the last six months. This reflects our reluctance to commit aggressively shareholders' capital in a period of rapid, but in many cases narrowly based, recovery in equity markets.

The last six months have been marked by an extreme rally in world markets which during March and April saw increases of up to 30%. These increases for the most part reflected changes in the share price of companies that had experienced the greatest falls in the previous twelve months. We believe that in some cases there has been no fundamental change to these companies and that the increase in their share price is not necessarily reflective of any improvement in their underlying value.

Our investment philosophy is to focus on well-managed quality companies with strong balance sheets and cashflow generation. Our selective approach in investing only in companies which meet these criteria means that each portfolio has a relatively small number of stocks in which we have a high level of conviction. We firmly believe that this investment strategy will provide greater value and lower risk for our shareholders over the long term.

We reinvested cash into stock markets in the early part of the year, increasing our holdings in companies which fit our core philosophy. These are not the type of companies which rallied so strongly at the start of the recovery. When combined with our holdings of non-equity investments, this has meant that during the period we have lost some ground both against both the FTSE All-World Index and our peers,

although our performance since the main rally in March and April has been broadly in line with the major indices.

We have allocated cash back into the UK and Asian markets and both these areas have outperformed the FTSE All-World Index. In the UK we invested for income to protect our dividend and in Asia for capital growth.

Over 40% of FTSE 100 companies have cut or held their dividend payments in the last 12 months. We believe that our portfolio is structured to support a continued and progressive dividend for the year to 31 January 2010.

In our Annual Report and Accounts we set three corporate targets and five key priorities for the year. After six months, progress towards these is as follows.

### Corporate Targets

#### % Change in Net Asset Value relative to FTSE All-World Index

During the first six months we underperformed the index. Over the longer 1 year view we have also underperformed. Much of this is attributable to being underinvested in the stocks which recovered so sharply in March and April 2009.

#### TSR Rank vs Peer Group above median

Our share price performance has lagged the peer group and we are ranked in the 4th quartile over the first 6 months of the year. Over the longer 1 year view, we are ranked 16th out of 44, which places the Company in the 2nd quartile.

#### Dividend Increase in excess of RPI

The two quarterly dividends paid for this year represent an increase of 1.25% on the amounts paid for the same period last year and we intend to make two further payments of at least 2.025p. Currently we have an earnings reserve of over £92 million. We expect to achieve this target.

## Key Priorities

### To focus on investment in equities

Core equities represented 89% of net assets at 31 July 2009 compared to 77% at the start of the period as we steadily allocated cash into our global equity portfolios. With regard to other asset classes, our exposure to Private Equity, Preference Stocks and Commercial Property was largely unchanged.

### To continue to improve investment performance

There has been an improvement in our absolute performance compared to the first six months of last year, albeit our return has been lower than the average of our peer group.

### To manage our cost base in line with market conditions

As a self-managed investment trust, we are acutely aware of the need to manage the cost base of the Company. We have continued to apply tight control over costs, making tough short term decisions which will deliver significant savings in the longer term, only increasing expenditure where we believe it will enhance our investment capability. Expenditure in the six month period was less than for the equivalent period last year.

### To develop our subsidiary businesses

Despite the constraints of our budgetary controls, we have managed to strengthen the skills of our management team and have recruited key personnel who will assist in the development of our subsidiary businesses.

### To invest in the development of our people

Having relocated to our new headquarters in Dundee, we have seen significantly improved communication within the business and this has, in turn, led to improved efficiency.

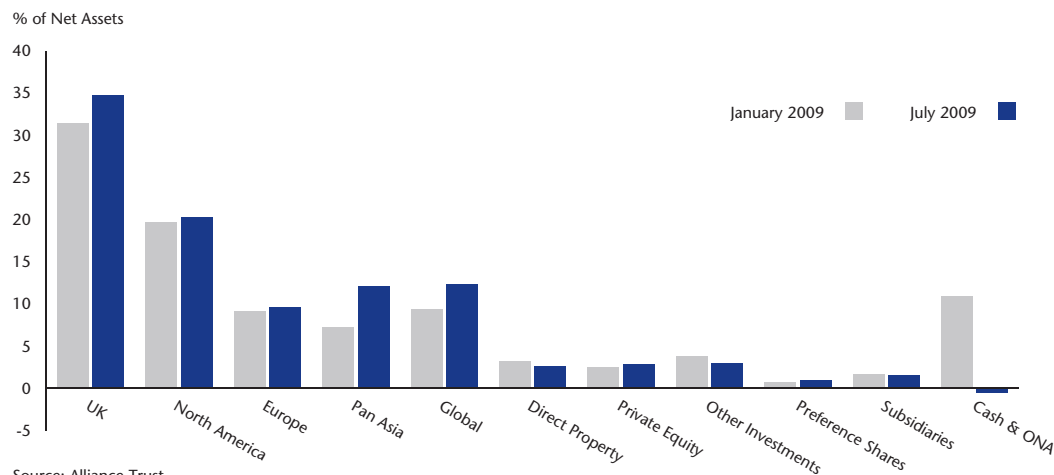
## Investment Overview

In the early part of the year stock markets were weak as the global outlook was dominated by concerns over the length and depth of economic recession and whether the policy responses of governments would be effective, thereby preventing recession turning into depression. In February we identified a number of good quality investments and invested some £110 million into the market, increasing our equity exposure from 77% to 81%.

In March, we saw a very sudden change occur in investor sentiment. Share prices of certain companies rose strongly and quickly from depressed levels, as stock markets began to reflect the belief that the pace of economic decline was slowing. We elected to remain consistent to our long term approach, continuing to invest only in companies which we believe are strong and will generate both sustainable capital growth and income rather than just short term gains. Our performance benefited last year from not holding the weakest of the UK banking stocks, but lagged through the middle of the period by not participating in the dramatic share price rally in these same stocks. We remain of the view that such stocks do not represent good long term value. These companies have, in many instances, experienced substantial dividend cuts and do not meet our core requirement for a strong recurring dividend payment. In general, we have placed great emphasis on the sustainability of dividends in our investment decisions, conscious of the market expectation that UK dividends will decline by around 20% in 2009.

Our cautious view of the speed of economic recovery also led to our being underweight in mining and consumer goods, both of which performed well over the period. Gradually, we have altered the bias in our regional equity portfolios towards a more balanced approach, through the addition of some cyclical stocks in areas where we expect to see early benefits emerging from a sustainable, long term recovery.

## Asset Allocation



## Asset Allocation

Reflecting our belief in the strength of the Asian markets we committed an additional £80 million to that region. We believe that Asia does not share the fiscal problems of many developed economies. Asia's future expansion will not be hampered by the large government debt burden faced by other economies. Our Asian investments performed very strongly, their 28% rise in Sterling terms representing the highest absolute return among our regional portfolios. We also added to our Global, UK and North American portfolios, all of which showed positive returns.

Active decisions on currencies are taken as part of our asset allocation process as currency moves can significantly impact on our investment performance. Our decision to hedge part of our European exposure at a Sterling/Euro exchange rate of 1.12 in April, based on our forecast of a depreciating Euro, proved a timely move with the Euro standing at 1.17 at the period end.

Cash stood at just over 11% of net assets at the start of the period, but by 31 July 2009 we were fully invested and had moved to a position of net gearing of 1%. The high cash position held last year helped to protect the portfolio at that time. However, as a global equity focused investment trust, we recognised that this did not represent a

sustainable, or indeed a low risk, position for the long term. Cash returns remain at historically low levels. We partially invested the cash into long term positions in quality investments ahead of the rally which started in March. In July we also added further to income generating UK holdings. We have the capability and willingness to increase gearing further when we believe such a move is warranted by market prospects.

## Equity Investment

We invested £80 million into our UK equity portfolio during the period in order to support our commitment to a progressive dividend. We have in addition rationalised the number of our UK holdings by combining the former UK Large Cap and UK Mid Cap portfolios to create a single UK portfolio. Primarily, we have reduced our number of Mid Cap holdings and created a more balanced portfolio, retaining a bias towards companies with defensive characteristics, but with exposure to some cyclical stocks where we can anticipate an improvement in demand and have a degree of confidence in visibility of earnings. Holdings in the banking group HSBC, which should benefit from its growth prospects in Asian markets, and mining companies BHP Billiton and Xstrata are representative of this theme.

The UK economy has experienced its sharpest contraction of the post-war period. Having reduced interest rates to record lows, the

## Equity Portfolio Statistics

From 31 January 2009 to 31 July 2009

	Net Assets %	Portfolio Return %	Benchmark Index Return %	Relative Return %
UK	34.8	9.2	16.2	(6.0)
North America	20.3	5.3	8.1	(2.6)
Europe ex UK	9.7	16.4	18.0	(1.3)
Pan Asia	12.1	28.3	36.2	(5.8)
Global	12.4	8.3	14.2	(5.2)

government has initiated a programme of quantitative easing in a bid to stimulate activity. This appears to be having short term success in stabilising the financial system but exacerbates concerns over the scale of government debt in the medium term. Many UK companies, however, generate a large proportion of their earnings in overseas markets which will help protect them from the weakness of the UK economy.

Bank lending remains tight and asset sales are unattractive at current prices. There have been a large number of rights issues and share placements by UK companies over the period. We participated in a few of these rights issues including the property investment and development company Great Portland Estates. Underwriting commission was also beneficial to our revenue account. Further equity issuance is likely as companies seek to strengthen their balance sheets.

Following two years of very strong relative outperformance, our **North American** portfolio lagged the benchmark index by 2.6% as higher risk companies, to which we have little exposure, benefited most in the market recovery. Portfolio activity was limited through the period. Our main energy-related investments, InterOil and Petro-Canada, which has now merged with Suncor Energy, performed well. We increased our holding in the waste disposal company, Republic Services, which also performed strongly. Our financial holdings are biased towards strong defensively positioned banks; these have performed poorly against the strong rally in more highly leveraged banking stocks.

The unprecedented expansion of the Federal balance sheet has enabled credit markets to ease from their state of extreme stress. Banks have managed to raise fresh capital and, in some cases, have repaid money received

from the government's emergency support programme. Investors have been encouraged by the belief that the worst of the financial crisis is past, even if economic fragility persists. Much of the recovery from market lows, however, has been eroded for Sterling investors by the relative strength of Sterling against the US Dollar.

We have adopted a less defensive stance in our **European** portfolio, having increased our weighting in the financial sector by adding to our holdings in BNP Paribas and AXA. We have also initiated a holding in Zurich Insurance. We consider these to be higher quality companies where valuations had fallen to attractive levels. We remain cautious on the longer term outlook for industrials where we consider valuations to be less appealing.

Expectations that European economies would fare better than those of the US and the UK were dashed at the start of this year. Germany, in particular, saw a collapse in its exports which had a knock-on effect on other European economies. Governments were, however, proactive in introducing stimulus measures such as car scrappage schemes. Although unemployment rates in some countries reached exceptionally high levels, such as Spain at 18%, Germany was less affected as its government introduced financial support for 'short term working'. Recent indications show that such measures are helping to bring stability to economies, albeit at lower levels.

We have combined our Asia Pacific and Japan investment teams into a **Pan Asian** capability. We took the opportunity to increase significantly our exposure to Pan Asian equities as we believe that economic growth in this region will be stronger than other major economies. We invested an additional £80 million in the region, focusing

on China, India and Indonesia. Our weighting stood at 12% at 31 July against 7% at the previous year end. We added to holdings in financials and consumer goods and in infrastructure companies in China. China's large domestic stimulus package has offset the impact of declining export demand. We have invested in high quality companies such as China Shenhua Energy, the largest coal mining company in China. Our holding in Hon Hai Precision, the largest electronics manufacturing services company in the world, is benefiting from better than expected worldwide demand for computers.

The domestic economy in Japan is suffering as deflation has become entrenched. Export companies are, however, benefiting from growth in Asian markets. We increased our Japanese investments in the belief that industrial companies would gain as manufacturing recovers. In Japan, we hold NIDEC Corporation, a maker of precision motors and SUMCO Corporation which produces silicon wafers for the semiconductor industry. We expect the slowdown in Asian economies to bottom in 2009 and are optimistic on the outlook for the Pan Asia region.

The composition of our **Global Equity** portfolio accentuates the broader investment team's highest conviction ideas on a globally diversified basis. The portfolio now reflects expectations of an improvement in the economic environment. This is likely to be driven by a degree of stability returning to the financial system and industrial production recovering as Government stimulus programs generate demand through infrastructure related projects.

The portfolio's exposure to oil and gas exploration has been increased given the continued expectation of supply constraint over the medium term. Utility weightings have been reduced as the regulatory environment has proved more stringent.

## Other Asset Classes

Our quoted **Private Equity** holdings experienced strong performance as discounts to net asset values narrowed. Among the best performers were 3i, Electra and Standard Life European Private Equity. We have not added significantly to our commitment to lower to mid market private equity managers. We continue to consider new pan-European fund opportunities but maintain a cautious outlook while reducing our quoted private equity exposure.

The capital value of the **Preference Stock** portfolio increased by 20% from £13.7 million to £16.4 million over the past six months, as the UK financial sector rose strongly from its depressed levels. The annual income yield on the portfolio remains attractive at more than 9%.

We are delighted to have announced, after the period end, the appointment of a new **Fixed Income** team of four highly experienced fixed income managers from Scottish Widows Investment Partnership. In the present challenging environment, the addition of fixed income expertise will provide greater flexibility in our asset allocation, enhance the income earning potential of our portfolio and help reduce our reliance on equity investments for income. The team will join the Company in early 2010.

The value of our **Commercial Property** portfolio fell by 8.2% to £51.7 million over the past six months. Gross rental income amounted to £2.0 million: currently all properties are fully let. Our intention is to reduce our exposure to this asset class, as and when disposals at realistic market valuations can be achieved.

### Financial Services Subsidiaries

Within **Alliance Trust Savings**, a rigorous programme of service and administration improvements has been undertaken under the leadership of its new Chief Executive, Robert Burgess. We are pleased to report that significant progress has been made. Customer numbers and assets under administration remain largely flat despite the market falls. The loss during the period largely reflects the impact of the current low interest rate environment on the revenue of the business.

**Alliance Trust Asset Management** launched its first two funds in February. Initial market reaction has been encouraging but significant progress will take time in this very competitive market. The two funds enable investors to access directly the expertise of the Trust's UK and North American equity teams. The North American Equity Fund has been awarded an "A" rating by Old Broad Street Research, one of the UK's most influential fund rating agencies.

### Outlook

Twelve months on from the events that led to the financial market crisis of late 2008 it is a good time to look at the current state of the global economy and the outlook for 2010. Several of the leading economic indicators which we monitor closely are showing encouraging signs of recovery and we are more optimistic on the prospects for the global economy than we were earlier in the year. Confidence indicators are improving rapidly, particularly with regard to financial markets and the corporate sector, suggesting that we are entering a period of growth, but of questionable sustainability.

There have been many changes in the last quarter. Financial markets have improved sharply, business confidence has returned and some major economies have already exited recession. We expect this favourable trend to continue in the short term while current fiscal and monetary policy remains unchanged, but we are concerned about the sustainability of this recovery. Debt levels remain high, particularly in the public sector,

and fiscal and monetary stimulus will have to be withdrawn at some stage. That implies higher interest rates and taxes and cuts in government spending.

Inflation is expected to trough in the second half of the year and then begin to increase from a low base. Low pricing power will lead companies to retain strict control of costs. Currency volatility should be relatively low, although we may see the US Dollar gaining some strength on speculation of higher US interest rates in 2010 as the US economy strengthens.

We are hopeful that the global economy is entering a long term recovery phase but we do not expect the recovery to be smooth or rapid.

Against this environment, our strategy for recommitting cash into equities is to invest in a balanced portfolio of quality companies which are able to demonstrate management capability and robust financial performance. We continue to seek opportunities to invest to achieve our aim of providing a combination of capital growth and a rising dividend with a moderate level of risk over the medium to long term. We favour Asian markets as growth rates in the region should remain higher than in other major economies and companies are in sound financial health. In the US our holdings are positioned to benefit from a recovery in the economy. Our relatively high exposure to the UK reflects the income generating attributes of our portfolio.

### Dividend

In accordance with our quarterly dividend policy the Company paid an interim dividend of 2.025p per share on 31 July 2009. A second interim dividend of 2.025p per share will be paid on or around 2 November 2009 to shareholders on the register on 2 October 2009. For the financial year ending 31 January 2010 and in the absence of any unforeseen developments, we expect to be able to recommend a third interim dividend of 2.025p payable on or around 1 February 2010, and a fourth interim dividend of at least 2.025p payable on or around 30 April 2010.

**Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge

- The condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU:
- The interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the “Disclosure and Transparency Rules”, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the “Disclosure and Transparency Rules”, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

**Lesley Knox**  
Chairman  
18 September 2009

**Katherine Garrett-Cox**  
Chief Executive  
18 September 2009

# Financial statements

## Condensed Consolidated Income Statement (unaudited)

For the period ended 31 July 2009

£000	Note	6 months to 31 July 2009			6 months to 31 July 2008			Year to 31 January 2009 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Revenue</b>										
Income	3	56,010	-	56,010	68,785	-	68,785	117,283	-	117,283
Gain/(Loss) on fair value designated investments		-	151,535	151,535	-	(122,904)	(122,904)	-	(551,495)	(551,495)
Loss on investment property held		-	(4,620)	(4,620)	-	(15,645)	(15,645)	-	(23,832)	(23,832)
<b>Total Revenue</b>		<b>56,010</b>	<b>146,915</b>	<b>202,925</b>	<b>68,785</b>	<b>(138,549)</b>	<b>(69,764)</b>	<b>117,283</b>	<b>(575,327)</b>	<b>(458,044)</b>
Administrative expenses		(17,059)	(931)	(17,990)	(18,850)	(586)	(19,436)	(40,069)	(1,981)	(42,050)
Finance costs	4	(301)	(554)	(855)	(2,720)	(2,019)	(4,739)	(4,322)	(3,053)	(7,375)
Impairment losses		-	-	-	-	-	-	(1,759)	(9,074)	(10,833)
Loss on revaluation of office premises		-	(969)	(969)	-	-	-	-	(6,786)	(6,786)
Foreign exchange (losses)/gains		-	(3,873)	(3,873)	-	(910)	(910)	(271)	8,221	7,950
<b>Profit/(Loss) before tax</b>		<b>38,650</b>	<b>140,588</b>	<b>179,238</b>	<b>47,215</b>	<b>(142,064)</b>	<b>(94,849)</b>	<b>70,862</b>	<b>(588,000)</b>	<b>(517,138)</b>
Tax		(4,524)	155	(4,369)	(5,421)	560	(4,861)	(10,552)	3,627	(6,925)
<b>Profit/(Loss) for the period</b>		<b>34,126</b>	<b>140,743</b>	<b>174,869</b>	<b>41,794</b>	<b>(141,504)</b>	<b>(99,710)</b>	<b>60,310</b>	<b>(584,373)</b>	<b>(524,063)</b>
Attributable to										
Minority interest		124	403	527	25	(734)	(709)	1	(866)	(865)
Equity holders of the parent		34,002	140,340	174,342	41,769	(140,770)	(99,001)	60,309	(583,507)	(523,198)
		34,126	140,743	174,869	41,794	(141,504)	(99,710)	60,310	(584,373)	(524,063)
<b>Earnings per share from continuing operations attributable to equity holders of the parent</b>										
Basic (p per share)	6	5.07	20.94	26.01	6.23	(21.00)	(14.77)	9.00	(87.06)	(78.06)
Diluted (p per share)	6	5.06	20.89	25.95	6.22	(21.00)	(14.78)	8.98	(87.06)	(78.08)

## Condensed Consolidated Statement of Recognised Income and Expense (unaudited)

£000	Note	6 months to 31 July 2009			6 months to 31 July 2008			Year to 31 January 2009 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Income and expenses recognised directly in equity:										
Defined benefit plan										
actuarial gains/(losses)	7	-	421	421	-	(3,339)	(3,339)	-	(3,282)	(3,282)
Retirement benefit obligations										
deferred tax	7	-	(118)	(118)	-	925	925	-	891	891
Loss on revaluation of office premises		-	-	-	-	-	-	-	(425)	(425)
Exchange difference on translation of foreign subsidiary		-	462	462	-	-	-	-	984	984
<b>Profit/(loss) for the period</b>		<b>34,126</b>	<b>140,743</b>	<b>174,869</b>	<b>41,794</b>	<b>(141,504)</b>	<b>(99,710)</b>	<b>60,310</b>	<b>(584,373)</b>	<b>(524,063)</b>
<b>Total recognised income and expense for the period</b>		<b>34,126</b>	<b>141,508</b>	<b>175,634</b>	<b>41,794</b>	<b>(143,918)</b>	<b>(102,124)</b>	<b>60,310</b>	<b>(586,205)</b>	<b>(525,895)</b>
Attributable to:										
Minority interest		124	403	527	25	(734)	(709)	1	(866)	(865)
Equity holders of the parent		34,002	141,105	175,107	41,769	(143,184)	(101,415)	60,309	(585,339)	(525,030)
		34,126	141,508	175,634	41,794	(143,918)	(102,124)	60,310	(586,205)	(525,895)

**Condensed Consolidated Balance Sheet (unaudited)**  
As at 31 July 2009

£000	Note	31 July 2009	31 July 2008	31 January 2009 (audited)
<b>Non-current Assets</b>				
Investments held at fair value		2,206,147	2,191,391	1,820,763
Investment property		51,715	64,455	56,335
Property, plant and equipment:				
Office premises		6,375	6,718	6,375
Other fixed assets		6	57	8
Intangible assets		4,344	15,761	5,251
		<b>2,268,587</b>	<b>2,278,382</b>	<b>1,888,732</b>
<b>Current assets</b>				
Other receivables		39,469	31,585	17,531
Withholding tax debtor		1,280	1,103	840
Corporation tax debtor		625	500	227
Cash and cash equivalents		269,795	559,204	507,033
		<b>311,169</b>	<b>592,392</b>	<b>525,631</b>
<b>Total assets</b>		<b>2,579,756</b>	<b>2,870,774</b>	<b>2,414,363</b>
<b>Current liabilities</b>				
Other payables		(253,133)	(236,676)	(231,108)
Tax payable		(2,854)	(1,246)	(1,595)
Bank overdrafts and loans		(47,964)	(50,000)	(50,000)
		<b>(303,951)</b>	<b>(287,922)</b>	<b>(282,703)</b>
<b>Total assets less current liabilities</b>		<b>2,275,805</b>	<b>2,582,852</b>	<b>2,131,660</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		(497)	(1,501)	(381)
Pension scheme deficit	7	(1,144)	(1,686)	(1,565)
<b>Net assets</b>		<b>2,274,164</b>	<b>2,579,665</b>	<b>2,129,714</b>
<b>Equity</b>				
Share capital		16,798	16,798	16,798
Capital reserves		1,525,272	1,820,368	1,378,674
Translation reserve		1,446	-	984
Merger reserve		645,335	645,335	645,335
Revaluation reserve		183	608	183
Capital redemption reserve		2,200	2,200	2,200
Revenue reserves		76,443	87,071	78,806
Equity attributable to equity holders of the parent		<b>2,267,677</b>	<b>2,572,380</b>	<b>2,122,980</b>
<b>Minority interest</b>		<b>6,487</b>	<b>7,285</b>	<b>6,734</b>
<b>Total Equity</b>		<b>2,274,164</b>	<b>2,579,665</b>	<b>2,129,714</b>
<b>Net asset value per ordinary share attributable to equity holders of the parent</b>				
Basic (£)	8	3.38	3.84	3.17
Diluted (£)	8	3.37	3.83	3.16

**Condensed Consolidated Cash Flow (unaudited)****For the period ended 31 July 2009**

<b>£000</b>	<b>6 months to 31 July 2009</b>	<b>6 months to 31 July 2008</b>	<b>Year to 31 January 2009 (audited)</b>
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax	179,238	(94,849)	(517,138)
Adjustments for:			
(Gains)/Losses on investments	(146,915)	138,549	575,327
Foreign exchange losses/(gains)	3,873	910	(7,950)
Scrip dividends	-	(541)	(590)
Depreciation	2	27	71
Amortisation of intangibles	913	1,335	1,734
Impairment losses	-	-	10,833
Loss on revaluation of office premises	969	-	6,786
Share based payment expense	302	459	742
Interest	855	4,284	7,375
Operating cash flows before movements in working capital	39,237	50,174	77,190
Increase in amounts due to depositors	25,617	20,079	5,963
(Increase)/decrease in receivables	(15,470)	(10,003)	9,948
Decrease in payables	(8,717)	(4,295)	(15,510)
Net cash inflow from operating activities before income taxes	40,667	55,955	77,591
Taxes paid	(3,950)	(2,484)	(4,784)
Net cash inflow from operating activities	36,717	53,471	72,807
<b>Cash flows from investing activities</b>			
Proceeds on disposal of fair value through profit and loss investments	482,523	1,062,185	1,644,311
Purchase of fair value through profit and loss investments	(717,152)	(635,860)	(1,272,384)
Purchase of property, plant and equipment	-	(48)	(43)
Purchase of intangible assets	(6)	(333)	(1,055)
Purchases in respect of new head office	(969)	(2,834)	(9,702)
Net cash (outflow)/inflow from investing activities	(235,604)	423,110	361,127
<b>Cash flows from financing activities</b>			
Dividends paid - Equity	(30,312)	(28,159)	(41,534)
Purchase of own shares	-	(2,587)	(2,587)
Repayment of borrowing	-	(109,000)	(109,000)
Minority interest investment in PATIF/ATIF*	(1,275)	(90)	223
Interest payable	(855)	(4,284)	(9,606)
Net cash outflow from financing activities	(32,442)	(144,120)	(162,504)
Net (decrease)/increase in cash and cash equivalents	(231,329)	332,461	271,430
Cash and cash equivalents at beginning of period	507,033	227,653	227,653
Effect of foreign exchange rate changes	(5,909)	(910)	7,950
Cash and cash equivalents at the end of period	269,795	559,204	507,033

\* Premier Alliance Trust Investment Funds and Alliance Trust Investment Funds

# Notes to the Financial Statements

## 1 General Information

The information for the period ended 31 July 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 January 2009 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The interim results are unaudited. They should not be taken as a guide to the full year and do not constitute the statutory accounts.

## 2 Accounting Policies

The annual financial statements were prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU.

The same accounting policies, presentations and methods of computation are followed in these financial statements as are applied in the Group's latest annual audited financial statements, other than the inclusion for the first time of additional disclosures as required by IFRS 8 'Operating Segments'. No material changes in accounting policy are anticipated in the forthcoming financial statements for the year ended 31 January 2010.

## 3 Revenue

£000	6 months to 31 July 2009	6 months to 31 July 2008	Year to 31 January 2009
Deposit interest	1,492	8,614	16,189
Dividend income	46,868	51,889	79,212
Mineral rights income	833	932	2,170
Property income	2,057	2,189	4,197
Other operating income	4,760	5,161	15,515
	<b>56,010</b>	<b>68,785</b>	<b>117,283</b>

## 4 Finance Costs

£000	6 months to 31 July 2009			6 months to 31 July 2008			Year to 31 January 2009		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Interest payable</b>									
Payable to depositors	23	-	23	1,710	-	1,710	2,772	-	2,772
Bank loans and overdrafts	278	554	832	1,010	2,019	3,029	1,550	3,053	4,603
Total finance costs	<b>301</b>	<b>554</b>	<b>855</b>	<b>2,720</b>	<b>2,019</b>	<b>4,739</b>	<b>4,322</b>	<b>3,053</b>	<b>7,375</b>

## 5 Dividends

£000	6 months to 31 July 2009	6 months to 31 July 2008	Year to 31 January 2009
Fourth interim dividend for the year ended 31 January 2008 of 2.20p per share	-	14,758	14,758
First interim dividend for the year ended 31 January 2009 of 2.00p per share	-	13,401	13,401
Second interim dividend for the year ended 31 January 2009 of 2.00p per share	-	-	13,401
Third interim dividend for the year ended 31 January 2009 of 2.00p per share	-	-	13,401
Fourth interim dividend for the year ended 31 January 2009 of 2.00p per share	<b>13,401</b>	-	-
Special dividend for the year ended 31 January 2009 of 0.50p per share	<b>3,350</b>	-	-
First interim dividend for the year ended 31 January 2010 of 2.025p per share	<b>13,570</b>	-	-

## 6 Earnings Per Share

### From continuing operations

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

	6 months to 31 July 2009			6 months to 31 July 2008			Year to 31 January 2009		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Ordinary shares</b>									
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to equity holders of the parent (£000)	34,002	140,340	174,342	41,769	(140,770)	(99,001)	60,309	(583,507)	(523,198)
<b>Number of shares</b>									
Weighted average number of ordinary shares for the purposes of basic earnings per share		670,114,650			670,223,550			670,227,004	
Weighted average number of ordinary shares for the purposes of diluted earnings per share		671,909,760			671,909,760			671,909,760	

The weighted average number of ordinary shares is arrived at by excluding 1,770,197 (1,856,020 at 31 July 2008 and 1,842,670 at 31 January 2009) ordinary shares acquired by the Trustee of the Employee Benefit Trust with funds provided by the Company.

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

## 7 Pension Schemes

The Group sponsors two pension arrangements.

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

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

### Defined Benefit Scheme

The net actuarial loss made in the period and recognised in the statement of recognised income and expense ('SORIE') was £303,000 (31 July 2008 net actuarial loss of £2,414,000, 31 January 2009 net actuarial loss of £2,391,000).

Certain actuarial assumptions have been used to arrive at the retirement benefit scheme deficit of £1.1m as at 31 July 2009 (31 July 2008 deficit of £1.7m, 31 January 2009 deficit of £1.6m). These are set out below:

	31 July 2009 % per annum	31 July 2008 % per annum	31 January 2009 % per annum
Inflation	3.40	3.90	3.40
Salary increases	4.40	4.90	4.40
Rate of discount	6.30	6.00	6.20
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.40	3.90	3.40
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.40	3.90	3.40

## 8 Net Asset Value Per Ordinary Share

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

	31 July 2009	31 July 2008	31 January 2009
Equity shareholder funds (£000)	2,267,677	2,572,380	2,122,980
Number of shares at period end - Basic	670,139,563	670,053,740	670,067,090
Number of shares at period end - Diluted	671,909,760	671,909,760	671,909,760

The number of ordinary shares has been reduced by 1,770,197 (1,856,020 at 31 July 2008 and 1,842,670 at 31 January 2009) ordinary shares held by the Trustee of the Employee Benefit Trust in order to arrive at the Basic figures above.

## 9 Segmental Reporting

Alliance Trust PLC's operating segments are strategic business units that offer different products and services. They are managed separately because of the differences in the products and services provided. They are however all complementary to the core business of investing in various asset classes to generate increasing value over the long term.

Alliance Trust PLC's primary operating segments are the Company and Alliance Trust Savings Limited ('ATS').

The Company is a self managed investment company with investment trust status. ATS provides share dealing and pension administration services.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Alliance Trust PLC evaluates performance based on the operating profit before tax. Intersegment sales and transfers are accounted for on an arms length basis, i.e. market price.

£000	6 months to 31 July 2009			
	Company	ATS	Other	Total
<b>Revenue</b>				
External customers	-	4,925	160	5,085
Investment income	49,216	-	24	49,240
Investment gains/(losses)	139,050	(14)	-	139,036
Intersegment	-	-	1,065	1,065
<b>Segment revenue</b>	<b>188,266</b>	<b>4,911</b>	<b>1,249</b>	<b>194,426</b>
<b>Segment profit/(loss) before tax</b>	<b>178,312</b>	<b>(3,579)</b>	<b>(1,029)</b>	<b>173,704</b>

£000	6 months to 31 July 2008			
	Company	ATS	Other	Total
<b>Revenue</b>				
External customers	-	8,585	328	8,913
Investment income	57,503	-	100	57,603
Investment losses	(141,080)	(15)	-	(141,095)
Intersegment	-	-	28	28
<b>Segment revenue</b>	<b>(83,577)</b>	<b>8,570</b>	<b>456</b>	<b>(74,551)</b>
<b>Segment loss before tax</b>	<b>(95,716)</b>	<b>(454)</b>	<b>(1,822)</b>	<b>(97,992)</b>

£000	Year to 31 January 2009			
	Company	ATS	Other	Total
<b>Revenue</b>				
External customers	-	16,386	341	16,727
Investment income	95,299	-	278	95,577
Investment (losses)/gains	(583,898)	10	-	(583,888)
Intersegment	-	-	1,187	1,187
<b>Segment revenue</b>	<b>(488,599)</b>	<b>16,396</b>	<b>1,806</b>	<b>(470,397)</b>
<b>Segment loss before tax</b>	<b>(508,560)</b>	<b>(1,550)</b>	<b>(3,279)</b>	<b>(513,389)</b>

## 9 Segmental Reporting (continued)

### Reconciliation of reportable segment revenues and profit/(loss) to consolidated amounts

£000	6 months to 31 July 2009	6 months to 31 July 2008	Year to 31 January 2009
<b>Revenues</b>			
Total revenues for reportable segments	194,426	(74,551)	(470,397)
ATS interest payable	24	1,711	2,772
Elimination of intersegment revenues	(1,065)	(28)	(1,187)
Elimination of movement in investment in subsidiaries	9,540	3,104	10,768
<b>Consolidated revenue</b>	<b>202,925</b>	<b>(69,764)</b>	<b>(458,044)</b>
<b>Profit/(Loss)</b>			
Total profit/(loss) for reportable segments	173,704	(97,992)	(513,389)
Elimination of movement in investment in subsidiaries	5,534	3,143	(3,749)
<b>Consolidated profit/(loss) before tax</b>	<b>179,238</b>	<b>(94,849)</b>	<b>(517,138)</b>

### Total net assets

£000	Company	6 months to 31 July 2009		Total
		ATS	Other	
Total net assets	2,267,148	12,270	5,537	2,284,955

£000	Company	6 months to 31 July 2008		Total
		ATS	Other	
Total net assets	2,566,297	18,408	7,588	2,592,293

£000	Company	Year to 31 January 2009		Total
		ATS	Other	
Total net assets	2,122,592	13,704	6,546	2,142,842

### Reconciliation of reportable segment total net assets to consolidated amounts

£000	As at 31 July 2009	As at 31 July 2008	As at 31 January 2009
<b>Total net assets</b>			
Total net assets for reportable segments	2,284,955	2,592,293	2,142,842
Elimination of subsidiaries	(10,791)	(12,628)	(13,128)
<b>Consolidated total net assets</b>	<b>2,274,164</b>	<b>2,579,665</b>	<b>2,129,714</b>

## 10 Related Party Transactions

There are no significant changes in the type or nature of related party transactions from those disclosed in the accounts for the year to 31 January 2009.

## 11 Financial Commitments

As at 31 July 2009 the Group and Company had financial commitments, which have not been accrued, totalling £152.4m (£219.3m at 31 January 2009 and £76.9m at 31 July 2008). Of this amount £152.4m (£157.8m at 31 January 2009 and £76.9m at 31 July 2008) was in respect of uncalled subscriptions in investments structured as limited partnerships of which £140.5m (£150.1m at 31 January 2009 and £76.9m at 31 July 2008) relates to investments in our private equity portfolio. This is the maximum amount that the Company may be required to invest. These Limited Partnership commitments may be called at any time up to an agreed contractual date. The Company may choose not to fulfil individual commitments but may suffer a penalty should it do so, the terms of which vary between investments.

## 12 Share Based Payments

The group operates three share based payment schemes. Full details of these schemes are disclosed in the 2009 annual report and financial statements and the basis of measuring fair value is consistent with that disclosed therein.

In the period to 31 July 2009 participating employees applied a proportion of their annual cash bonuses for the year ended 31 January 2009 to purchase 288,730 (197,247 at 31 July 2008 and 31 January 2009) Company shares at a weighted average price of £2.84 (£3.51 at 31 July 2008 and 31 January 2009) per share. Matching awards of up to 527,449 (376,672 at 31 July 2008 and 31 January 2009) shares, and performance awards of up to 650,544 (958,560 at 31 July 2008 and 31 January 2009) shares were granted.

Matching awards and performance awards made during the period were valued at £903,627 (£444,232 at 31 July 2008 and 31 January 2009) and £1,114,070 (£1,048,086 at 31 July 2008 and 31 January 2009) respectively. The fair value of the awards was calculated using a binomial methodology.

The cumulative charge to the income statement during the period for the cost of the awards referred to above was £302,111 (£459,090 at 31 July 2008, £741,975 at 31 January 2009) for the Group. Per IFRS 2 the costs of matching awards for each plan are expensed over the three year performance period.

These costs are adjusted if certain vesting conditions are not met, for example if a participant leaves before the end of the three year vesting period.

## 13 Principal Risks and Uncertainties

As an investment trust the Company invests in both quoted and unquoted equities, fixed income securities, its subsidiary businesses, other asset classes and financial instruments for the long term in order to achieve its investment objectives. Its principal risks are therefore market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

Other risks faced by the Company include regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail within the Business Review in the Company's Annual Report and Accounts for the year ended 31 January 2009. The nature of the Company's principal risks and uncertainties has not changed materially since the date of that report.

## Note on Audit

**This half-yearly financial report has not been audited or reviewed by our auditors pursuant to the Auditing Practice Board guidance on Review of Interim Financial Information.**

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