

ALLIANCE TRUST PLC

FINAL RESULTS FOR THE YEAR TO 31 JANUARY 2008

ALLIANCE TRUST ANNOUNCES ITS RESULTS FOR YEAR TO 31 JANUARY 2008

- Net asset value down 4.6% in harsh year for stock markets when FTSE All-Share fell 6.6%
- Equity portfolio results mixed amid extreme volatility. UK Large Cap and North America outperformed their respective benchmarks
- Risk profile held low by defensive stockpicking and continuing diversification across asset classes
- Investment in private equity strengthened while property income doubled to £4m
- Revenue from financial services subsidiary, Alliance Trust Savings, up 19%
- Above-inflation increase in annual dividend, up 4.3% to 7.9p per share

Alliance Trust PLC, announced today that its revenue rose to £82.6m in the year to 31 January 2008, from £68.1m in the previous financial year. However, the net asset value of the Company fell to £2,699m in the 12 months to 31 January 2008 from £2,832m the year before. In a volatile year, a sharp fall in stock markets in January 2008 alone when the FTSE All-Share fell 8.7%, erased gains made to the end of the previous 11 months.

Alliance Trust Chief Executive Alan Harden said, *“Our focus on pursuing real long-term returns substantially above the rate of inflation prompted us to position ourselves in defensive stocks and maintain a risk averse stance that is appropriate in extremely challenging markets. Throughout the financial year, with increasing volatility in stock markets, we re-entered the market selectively to invest in well-run companies that were being unjustly marked down. By investing on what turned out to be some of the worst days of the year for markets we believe we have added to the potential for outperformance of our equity portfolio.”*

*“We were heartened that our revenue continued to grow. We continue to develop our long-term strategy to create sustainable wealth by investing in a broad range of assets and our subsidiaries which have great potential to generate rising returns in both capital and income.”*

Chief Investment Officer Katherine Garrett-Cox said, *“We enhanced our investment process last year, continuing to concentrate our quoted equities portfolio in a focused selection of stocks while taking decisions that made a notable difference, such as reducing exposure to Japan, and switching in favour of Asia and North America.”*

*“We increased investment in private equity during a more difficult year for quoted equities. Quoted equities remain our principal area of investment and we largely hold defensive stocks and companies that will benefit from continuing emerging market growth. We were pleased to see that income from our property portfolio doubled in the year and, with commercial property prices falling to levels that are now more attractive, will be seeking opportunities to increase investment in prime properties where we are confident rental levels will hold up.”*

*“The coming year will continue to be challenging, with the credit squeeze hampering global growth. However, we have positioned ourselves in high-quality, well-managed companies which have the ability to perform well through different economic cycles. This approach helped us outperform in the notoriously difficult North American market where our regional portfolio rose 5.9% compared to a 2.4% loss in the regional benchmark index. We were also able to outperform in UK Large Cap in spite of volatile conditions. Meanwhile, we are broadening our portfolio to give even greater protection against risk, building on our position in private equity in particular, where our access to capital and our strong team give us a head-start in generating future growth in capital and income. We retain the flexibility to increase borrowing should we consider it appropriate.”*

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**FINANCIAL SUMMARY (Company)**

|                                   | 31 January<br>2008 | 31 January<br>2007 | Change |
|-----------------------------------|--------------------|--------------------|--------|
| <b>Company Statistics</b>         |                    |                    |        |
| Net asset value (basic)           | 402.3p             | 421.5p             | (4.6%) |
| Net asset value (diluted)         | 401.7p             | 421.4p             | (4.7%) |
| Share price                       | 338.0p             | 365.5p             | (7.5%) |
| Dividend                          | 7.9p               | 7.575p             | 4.3%   |
| TER (Proforma)                    | 0.56%              | 0.39%              |        |
| Discount to basic Net Asset Value | 16.0%              | 13.3%              |        |
| Total Shareholder Return          | (5.6%)*            | 7.5%**             |        |
| <b>Indices</b>                    |                    |                    |        |
| RPI (Retail Prices Index)         | 4.1%*              | 4.2%**             |        |
| FTSE All-Share Index              | 3000.1             | 3211.8             | (6.6%) |

\* Year to 31 January 2008

\*\* Year to 31 January 2007

**DIVIDEND**

Interim dividends of 1.9p were paid on 30 July 2007, 31 October 2007 and 31 January 2008. A fourth interim dividend of 2.2p will be paid on 30 April 2008. Total dividends payable for the year to 31 January 2008 will therefore be 7.9p, an increase of 4.3% on last year's dividend payment of 7.575p.

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

**CHIEF EXECUTIVE'S STATEMENT**

A year ago I wrote of our growing apprehension about the valuations placed on financial assets and the way that risk was being priced by investors. We, therefore, began this financial year with reduced exposure to quoted equities and with 7.4% of our assets held in cash.

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

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

We are disappointed with our results, particularly for capital growth, for the year. With a negative total shareholder return of 5.6%, we did outperform the FTSE All Share Index on a NAV basis, which fell 6.6%. Throughout last year the discount remained high and ended the year at 16.0%. We believe that this level of discount undervalues our Company. Our target is substantially to outperform a real return measure over the medium to long term. Over both a three and five year period this objective has been achieved. However, we have underperformed our real return target on a one year basis.

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

We ended the year with 5.4% (2.8%) in private equity, 3.4% (2.8%) in property and 1.5% (1.7%) in subsidiaries. The extent of due diligence required when investing in property and private equity does, however, mean that finding the best investments takes time. The total invested in private equity increased in absolute terms. Quoted equity investment at the year end was 93.5% (84.2%). Net gearing at the year-end was 4.8%, compared to the 2007 year-end when the portfolio was not geared and we held 7.4% cash.

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

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

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

These problems may prove to be even more acute in the UK. Although we have had three cuts in interest rates so far, there are few signs of these being passed on to consumers. Households are struggling under considerable debt and rising basic costs, access to credit is becoming increasingly difficult, and discretionary consumer spending is coming under considerable pressure. Our concerns are magnified by the relatively slow response of policymakers who are grappling with rising inflation and a fiscal budget which was looking particularly stretched, even before this downturn began. The UK has enjoyed 15 years of continuous growth but now faces the threat of a major slowdown.

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

Alliance Trust has lower volatility, and hence risk, than many of our peers. Our five-year share price volatility, which is considered a fair measure of risk, was almost the lowest of all our peer group. Higher returns than ours generally came only when companies took on high levels of risk.

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

We are pleased by the progress of our private equity team. We increased our investments in this asset class from £81m to £145m. In addition, we entered into a series of relationships with private equity managers who have track record, resources and expertise, investing in their management companies and funds as well as co-investing directly alongside them in companies we find attractive. In this way we seek to maximise the benefit we get from each relationship.

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

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

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

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

The main focus of our business this year will be:

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

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 January 2008**

| £000           | 2008    |         |       | 2007    |         |       |
|----------------|---------|---------|-------|---------|---------|-------|
|                | Revenue | Capital | Total | Revenue | Capital | Total |
| <b>Revenue</b> |         |         |       |         |         |       |

|  |          |           |           |          |          |          |
|--|----------|-----------|-----------|----------|----------|----------|
| Deposit interest   | 14,184   | -         | 14,184    | 11,009   | -        | 11,009   |
| Dividend income  | 73,035   | -         | 73,035    | 58,750   | -        | 58,750   |
| Mineral rights income  | 1,633    | -         | 1,633     | 1,819    | -        | 1,819    |
| Rental income  | 4,016    | -         | 4,016     | 1,906    | -        | 1,906    |
| <b>Gains and losses on investment</b>  |          |           |           |          |          |          |
| Loss on fair-value designated investments unrealised   | -        | (2,255)   | (2,255)   | -        | (54,243) | (54,243) |
| (loss)/profit on fair-value designated investments realised  | -        | (116,634) | (116,634) | -        | 201,655  | 201,655  |
| (loss)/profit on investment property held  | -        | (11,820)  | (11,820)  | -        | 1,861    | 1,861    |
| Other operating income   | 9,331    | -         | 9,331     | 7,763    | -        | 7,763    |
| <b>Total revenue</b>   | 102,199  | (130,709) | (28,510)  | 81,247   | 149,273  | 230,520  |
| Administrative expenses  | (38,114) | (1,234)   | (39,348)  | (25,395) | (462)    | (25,857) |
| Merger expenses  | -        | -         | -         | -        | (2,461)  | (2,461)  |
| Finance costs  | (5,727)  | (2,681)   | (8,408)   | (3,199)  | (1,224)  | (4,423)  |
| Foreign exchange gains/(losses)  | 28       | 1,786     | 1,814     | -        | (1,651)  | (1,651)  |
|  | -----    | -----     | -----     | -----    | -----    | -----    |
| <b>Profit/(loss) before tax</b>  | 58,386   | (132,838) | (74,452)  | 52,653   | 143,475  | 196,128  |
| Tax  | (3,052)  | 274       | (2,778)   | (4,329)  | 367      | (3,962)  |
|  | -----    | -----     | -----     | -----    | -----    | -----    |
| <b>Profit/(loss) for the period</b>  | 55,334   | (132,564) | (77,230)  | 48,324   | 143,842  | 192,166  |
|  | =====    | =====     | =====     | =====    | =====    | =====    |
| Attributable to:   |          |           |           |          |          |          |
| - Minority interest  | (10)     | (658)     | (668)     | (664)    | 202      | (462)    |
| - Equity holders of the parent   | 55,344   | (131,906) | (76,562)  | 48,988   | 143,640  | 192,628  |
|  | -----    | -----     | -----     | -----    | -----    | -----    |
|  | 55,334   | (132,564) | (77,230)  | 48,324   | 143,842  | 192,166  |
|  | =====    | =====     | =====     | =====    | =====    | =====    |
| <b>Earnings/(loss) per share from continuing operations attributable to equity holders of the parent</b> |          |           |           |          |          |          |
| Basic (p per share)  | 8.25     | (19.65)   | (11.40)   | 8.08     | 23.70    | 31.78    |
| Diluted (p per share)  | 8.24     | (19.65)   | (11.41)   | 8.08     | 23.70    | 31.78    |

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

| £000 | Revenue | 2008<br>Capital | Total | Revenue | 2007<br>Capital | Total |
|------|---------|-----------------|-------|---------|-----------------|-------|
|------|---------|-----------------|-------|---------|-----------------|-------|



|   |         |           |          |         |         |         |
|---|---------|-----------|----------|---------|---------|---------|
| Profit/(loss) before tax  | 67,174  | (141,170) | (73,996) | 57,857  | 141,872 | 199,729 |
| Tax   | (5,648) | 274       | (5,374)  | (5,405) | 367     | (5,038) |
|   | -----   | -----     | -----    | -----   | -----   | -----   |
| Profit/(loss) for the period  | 61,526  | (140,896) | (79,370) | 52,452  | 142,239 | 194,691 |
|   | =====   | =====     | =====    | =====   | =====   | =====   |
| <b>Attributable to:</b>   |         |           |          |         |         |         |
| Equity shareholders   | 61,526  | (140,896) | (79,370) | 52,452  | 142,239 | 194,691 |
| <b>Earnings/(loss) per share from continuing operations attributable to equity shareholders</b> |         |           |          |         |         |         |
| Basic (p per share)   | 9.17    | (20.99)   | (11.82)  | 8.66    | 23.47   | 32.13   |
| Diluted (p per share)   | 9.16    | (20.99)   | (11.83)  | 8.65    | 23.47   | 32.12   |

#### COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

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

#### BALANCE SHEETS

| As at 31 January 2008          | GROUP<br>2008 | 2007      | COMPANY<br>2008 | 2007      |
|--------------------------------|---------------|-----------|-----------------|-----------|
| £000                           |               |           |                 |           |
| <b>Non-current assets</b>      |               |           |                 |           |
| Investments held at fair value | 2,729,397     | 2,538,385 | 2,741,812       | 2,550,524 |
| Investment property            | 80,100        | 67,145    | 80,100          | 67,145    |
| Property, plant and equipment: |               |           |                 |           |
| Office premises                | 3,884         | 900       | 3,884           | 900       |
| Other fixed assets             | 36            | 32        | 5               | 14        |
| Intangible assets              | 16,763        | 14,808    | 1,474           | 1,514     |

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Retirement benefit surplus   | 1,617            | 181              | 1,617            | 181              |
| Deferred tax assets  | -                | 1,162            | -                | -                |
|  | -----            | -----            | -----            | -----            |
|  | 2,831,797        | 2,622,613        | 2,828,892        | 2,620,278        |
| <b>Current assets</b>  |                  |                  |                  |                  |
| Other receivables  | 48,171           | 29,643           | 33,492           | 14,572           |
| Withholding tax debtor   | 1,013            | 871              | 1,013            | 871              |
| Corporation tax debtor   | 875              | 2,312            | 500              | -                |
| Cash and cash equivalents  | 227,653          | 346,571          | 30,328           | 208,647          |
|  | -----            | -----            | -----            | -----            |
|  | 277,712          | 379,397          | 65,333           | 224,090          |
| <b>Total assets</b>  | <b>3,109,509</b> | <b>3,002,010</b> | <b>2,894,225</b> | <b>2,844,368</b> |
| <b>Current liabilities</b>   |                  |                  |                  |                  |
| Other payables   | (236,796)        | (155,194)        | (33,738)         | (10,979)         |
| Tax payable  | -                | (1,473)          | (2,379)          | (1,559)          |
| Bank overdrafts and loans  | (159,000)        | (5,188)          | (159,000)        | -                |
|  | -----            | -----            | -----            | -----            |
|  | (395,796)        | (161,855)        | (195,117)        | (12,538)         |
| <b>Total assets less current liabilities</b>   | <b>2,713,713</b> | <b>2,840,155</b> | <b>2,699,108</b> | <b>2,831,830</b> |
| <b>Non-current liabilities</b>   |                  |                  |                  |                  |
| Deferred tax liabilities   | (1,546)          | -                | (168)            | (214)            |
|  | -----            | -----            | -----            | -----            |
| <b>Net assets</b>  | <b>2,712,167</b> | <b>2,840,155</b> | <b>2,698,940</b> | <b>2,831,616</b> |
| <b>Equity</b>  |                  |                  |                  |                  |
| Share capital  | 16,798           | 16,798           | 16,798           | 16,798           |
| Capital reserves   | 1,966,300        | 2,096,078        | 1,962,892        | 2,106,487        |
| Merger reserve   | 645,335          | 645,335          | 645,335          | 645,335          |
| Revaluation reserve  | 608              | -                | 608              | -                |
| Capital redemption reserve   | 2,200            | 2,200            | 2,200            | 2,200            |
| Revenue reserves   | 73,550           | 73,454           | 71,107           | 60,796           |
| Equity attributable to equity holders of the parent                                    | 2,704,791        | 2,833,865        | 2,698,940        | 2,831,616        |
| <b>Minority interest</b>   | <b>7,376</b>     | <b>6,290</b>     | <b>-</b>         | <b>-</b>         |
| <b>Total equity</b>  | <b>2,712,167</b> | <b>2,840,155</b> | <b>2,698,940</b> | <b>2,831,616</b> |
| <b>Net Asset Value per ordinary share attributable to equity holders of the parent</b> |                  |                  |                  |                  |
| Basic (£)  | £4.03            | £4.22            | £4.02            | £4.22            |
| Diluted (£)  | £4.03            | £4.22            | £4.02            | £4.21            |

**CASH FLOW STATEMENT**

For the year ended 31 January 2008

|  | GROUP       |           | COMPANY     |           |
|--|-------------|-----------|-------------|-----------|
| £000   | 2008        | 2007      | 2008        | 2007      |
| <b>Cash Flows from operating activities</b>                            |             |           |             |           |
| (Loss)/profit before tax   | (74,452)    | 196,128   | (73,996)    | 199,729   |
| Adjustments for:   |             |           |             |           |
| Losses/(gains) on investments  | 130,709     | (149,273) | 139,340     | (147,647) |
| Foreign exchange (gains)/loans   | (1,814)     | 1,651     | (1,786)     | 1,651     |
| Scrip dividends  | (311)       | (617)     | (311)       | (617)     |
| Bond premium amortisation  | -           | 222       | -           | -         |
| Depreciation   | 45          | 19        | 9           | 9         |
| Amortisation of intangibles  | 1,562       | 177       | 391         | 28        |
| Share based payment expense  | 885         | 372       | 563         | 292       |
| Interest   | 8,408       | 4,423     | 4,035       | 1,846     |
|  | -----       | -----     | -----       | -----     |
| Operating cash flows before movements in working capital               | 65,032      | 53,102    | 68,245      | 55,291    |
| Increase in amounts due to depositors                                  | 50,526      | 36,661    | -           | -         |
| Decrease/(increase) in receivables                                     | 358         | (13,643)  | (34)        | (2,192)   |
| Increase in payables   | 10,613      | 11,098    | 2,296       | 480       |
|  | -----       | -----     | -----       | -----     |
| Net cash from operating activities before income taxes                 | 126,529     | 87,218    | 70,507      | 53,579    |
| Taxes recovered/(paid)   | (3,594)     | (4,760)   | (5,641)     | (4,178)   |
|  | -----       | -----     | -----       | -----     |
| Net cash inflow from operating activities                              | 122,935     | 82,458    | 64,866      | 49,401    |
|  | =====       | =====     | =====       | =====     |
| <b>Cash flows from investing activities</b>                            |             |           |             |           |
| Proceeds on disposal of fair value through profit and loss investments | 1,382,985   | 870,835   | 1,382,985   | 865,266   |
| Purchases of fair value through profit and loss investments            | (1,690,930) | (645,326) | (1,699,837) | (643,751) |
| Cash and cash equivalents acquired through merger                      | -           | 23,596    | -           | 23,596    |
| Purchase of investment properties                                      | (24,775)    | (36,684)  | (24,775)    | (36,684)  |
| Purchase of plant and equipment  | (49)        | (35)      | -           | (16)      |
| Purchase of intangible assets  | (570)       | (4,536)   | (351)       | (1,368)   |
| Purchases in respect of new head office                                | (2,984)     | -         | (2,984)     | -         |
| Purchase of business and subsidiary undertaking                        | -           | (224)     | -           | -         |

|  |                    |                  |                    |                  |
|--|--------------------|------------------|--------------------|------------------|
| Net cash (outflow)/inflow from investing activities  | -----<br>(336,323) | -----<br>207,626 | -----<br>(344,962) | -----<br>207,043 |
|  | =====              | =====            | =====              | =====            |
| <b>Cash flows from financing activities</b>          |                    |                  |                    |                  |
| Dividends paid - Equity                              | (51,334)           | (50,136)         | (51,334)           | (50,136)         |
| Purchase of own shares                               | (3,640)            | (321)            | (3,640)            | (321)            |
| New bank loans raised                                | 159,000            | 5,188            | 159,000            | -                |
| Repayment of borrowing                               | (5,188)            | (54,837)         | -                  | (54,837)         |
| Minority interest investment in PATIF*               | 2,226              | 2,616            | -                  | -                |
| Dividends (paid to) minority interest                | -                  | (125)            | -                  | -                |
| Interest payable                                     | (8,408)            | (4,423)          | (4,035)            | (1,846)          |
|  | -----              | -----            | -----              | -----            |
| Net cash inflow/(outflow) from financing activities  | 92,656             | (102,038)        | 99,991             | (107,140)        |
|  | -----              | -----            | -----              | -----            |
| Net (decrease)/increase in cash and cash equivalents | (120,732)          | 188,046          | (180,105)          | 149,304          |
|  | -----              | -----            | -----              | -----            |
| Cash and cash equivalents at beginning of period     | 346,571            | 160,176          | 208,647            | 60,994           |
|  | -----              | -----            | -----              | -----            |
| Effect of foreign exchange rate changes              | 1,814              | (1,651)          | 1,786              | (1,651)          |
|  | -----              | -----            | -----              | -----            |
| Cash and cash equivalents at end of period           | 227,653            | 346,571          | 30,328             | 208,647          |
|  | =====              | =====            | =====              | =====            |

\* Premier Alliance Trust Investment Funds Limited.

The income statement is the profit and loss account of the Company.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 January 2008 or 2007 but is derived from those accounts.

Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts. The report was unqualified.

#### Notes to the Financial Statements

1. Expenses comprise £15,027,000 (£10,081,000 restated to include £215,000 more in comparative expenses due to movement of mineral rights/property expenses into expenses - not netted against income) incurred by the Company, and

£24,321,000 (£15,776,000) incurred by subsidiary companies. Taking guidance from the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" the cost of the Senior Management Equity Incentive Plan and Long Term Incentive Plan deemed to be related to the capital performance of the Company has been treated as a capital expense of £935,000 (£439,000).

2. The diluted earnings per share is calculated using the weighted average number of ordinary shares, which is arrived at by taking account of 1,108,624 (162,939) ordinary shares acquired by the Trustee of the Employee Benefit Trust ("EBT") with funds provided by the Company. The basic earning per share is calculated by adding back these shares.

The Net Asset Value per share excludes, for the purpose of these disclosures, the 1,108,624 (162,939) ordinary share acquired by the Trustee of the EBT with funds provided by the company.

3. 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.

#### **NUMBER OF ISSUED SHARES**

Ordinary Shares of 2.5p 671,909,760

#### **POSTING ARRANGEMENTS**

The Report and Accounts will be posted to shareholders on Thursday, 24 April 2008 and will be available on the Company's website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk) on Friday, 25 April 2008. It will also be made available to the public at the Company's registered office, Meadow House, 64 Reform Street, Dundee DD1 1TJ and at the offices of the Company's

Registrar, Computershare Investor Services PLC, Lochside House, 7 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ on and after Friday, 25 April 2008.

**ANNUAL GENERAL MEETING**

The Company's Annual General Meeting will be held on Friday, 23rd May 2008 at 11.00 am at the Hilton Dundee, Earl Grey Place, Dundee DD1 4DE.

In addition to the full annual report, up-to-date performance data, details of new initiatives and other information about the Company can be found on the Company's website.