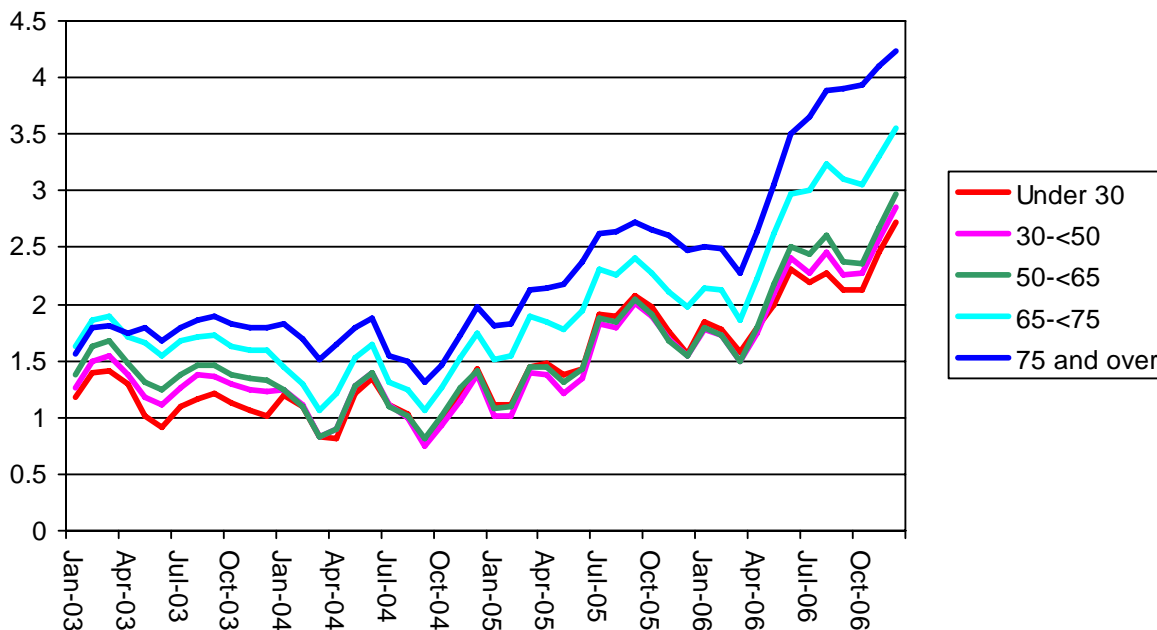


16 January 2007

LATEST MONTHLY FIGURES SHOW ELDERLY INFLATION RATE CONTINUES TO EXCEED 4%

Latest figures out today show that the over-75s are still the age group being hardest hit by inflation. The elderly's annual inflation rate in December has increased further to 4.2% - more than double the government's inflation target, according to the Alliance Trust Research Centre's monthly alert, which is part of its ongoing 'Age and Inflation' study. The headline findings, based on analysis of official December inflation figures and their impact on different age groups' spending patterns, are:

- **Inflation for the over 75s is now running at 4.2% - that's 40% higher than headline inflation of 3.0%**
- **Gas price inflation of 40%, electricity price inflation of 27% and food price inflation of almost 5% continue to drive the elderly inflation crisis.**
- **There is general unease now that the UK's headline rate of inflation has reached 3.0% - but the over-75s have been facing a rate of inflation in excess of 3% since May.**
- **Alliance Trust maintains call for pensions to be linked to rise in retired cost of living**



The Alliance Trust's model shows that inflation increased this month with every identified age group reaching a record level over the course of our study, which began in January 2003. Although some of the biggest increases this month were recorded by the younger age groups, it is the rate of inflation facing the over 75s which remains by far the highest, at 4.2%.

Shona Dobbie, head of the Alliance Trust Research Centre said: *“Our four-year study has shown consistently that the UK’s elderly are hardest hit by inflation among all the age groups. Although the inflation rate facing every age group is on the rise, the impact of higher prices for basic goods, such as gas, electricity and food, falls most heavily on the elderly, who spend a larger proportion of their budgets on these necessities. The price pressures facing the over-75s show no signs of easing. Over the last year, gas prices have risen 40%, electricity prices by 27% and food prices by almost 5%. Although the rate of inflation facing the younger age groups has also picked up this month, the overall impact for these groups continues to be lessened by falling prices for clothing, footwear, household appliances and audio visual equipment.*

Dobbie said, *“This month’s results continue to illustrate that the official headline inflation rate does not necessarily reflect the actual impact of price increases experienced by the over-75s. Our study shows that the over-75s have had to cope with a rate of inflation in excess of 3% since May of last year.*

Regarding the new interactive service launched this week by the ONS, Shona Dobbie said: *“For a long time now, we have been spotlighting the yawning gap between the increase in living costs for society’s most vulnerable age group and those of the wider population, and calling for retirement benefits to be linked to the real rise in the cost of living for retirees. Clearly anything which helps to illustrate this disparity is to be welcomed, however we would urge people to be very wary of relying too much on the new ONS service, since it is difficult to get exact data together to make your personalised model accurate. When making their comparison, users should also be aware that this new service is based on the retail price index and not the Government’s current preferred measure of inflation which strips out housing costs.”*

– ends –

**Alliance Trust’s full latest report on ‘Inflation and Age’ is available on www.alliancetrust.co.uk
You can obtain a copy of the report by emailing contact@alliancetrust.co.uk or phoning 08000 326323.**

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1. Alliance Trust PLC is the largest generalist investment trust company listed on the London Stock Exchange. Through its subsidiaries, Alliance Trust offers investment dealing, self-invested personal pensions and a choice of investment wrappers.
2. The Research Centre is part of Alliance Trust and was formed to carry out economic and social analysis to deepen our understanding of economies, markets and socio-economic issues.
3. Photographs of Shona Dobbie are available.