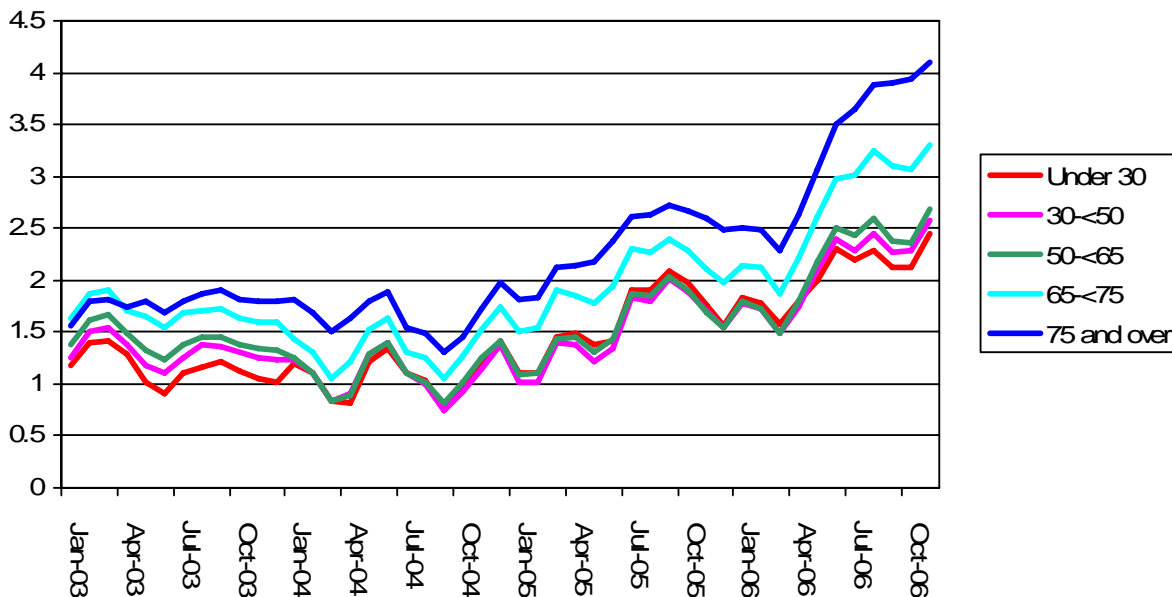


12 December 2006

LATEST FIGURES SHOW ELDERLY INFLATION RATE NOW EXCEEDS 4%

Latest monthly figures out today show that the over-75s are still the age group being hardest hit by inflation with the elderly’s annual inflation rate in October jumping to 4.1% - 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 November inflation figures and their impact on different age groups’ spending patterns, are:

- **Inflation for the over 75s is now running at 4.1% - that’s 52% more than headline inflation of 2.7%**
- **Gas price inflation of 40%, electricity price inflation of 27% and food price inflation of 5% are driving the elderly inflation crisis.**
- **Total fuel prices have risen 30% over the last year, but the Chancellor announced last week that the Winter Fuel Payment is to remain unchanged – implying a substantial decline in government help for pensioners in real terms.**
- **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 for every identified age group. In each case, the rate of inflation has reached a record level over the course of our study, which began in January 2003. However, it is the rate of inflation facing the over 75s which is the highest, at 4.1%.

Shona Dobbie, head of the Alliance Trust Research Centre said: *“Our four-year study shows that the UK’s elderly have consistently been hardest hit by inflation among all the age groups and their inflation has risen to record levels since 2003. Although the inflation rate facing every age group is on the rise, the impact on some of the younger age groups is lessened by falling prices for clothing, footwear, household appliances, audio visual equipment and petrol. But price pressures on the over-75s show no signs of easing. In this month’s study we have noted not only the ongoing impact of high gas and electricity prices, but also the increased costs of food. Food price inflation is now running close to 5%, driven higher by increased costs for basic items such as fruit and vegetables. The impact of price increases in these basic goods and services falls most heavily on the over 75s, who spend a higher proportion of their monthly budget on necessities.*

Dobbie said, *“This month’s results illustrate once again the fact that the official headline inflation rate does not necessarily paint a true picture of the actual impact of inflation experienced by the over 75s. This age group is now facing a rate of inflation which is more than twice the 2% target level which the government has given the Bank of England. Last week the Chancellor announced that the Winter Fuel Payments would remain unchanged at £200 for households with someone aged 60 or over, and £300 in the case of households with someone aged over 80. This looks quite generous until we consider that fuel prices have risen 30% over the last year, implying that the value of these payments has fallen significantly when measured in real terms.*

– 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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Notes to editors

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.