



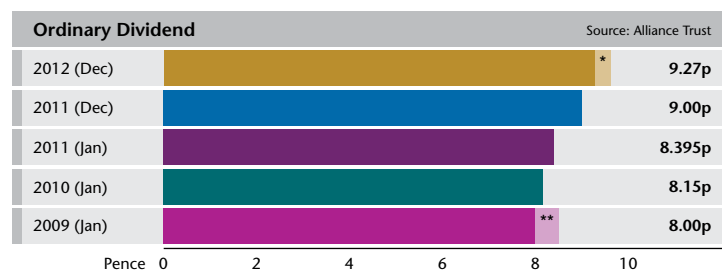
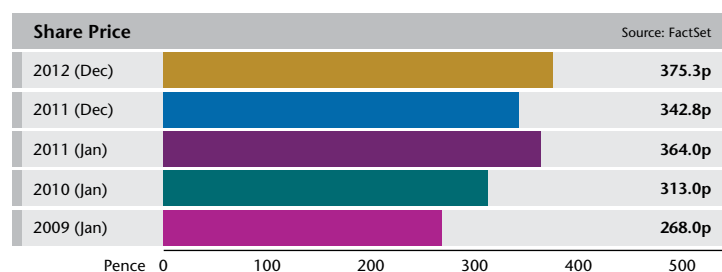
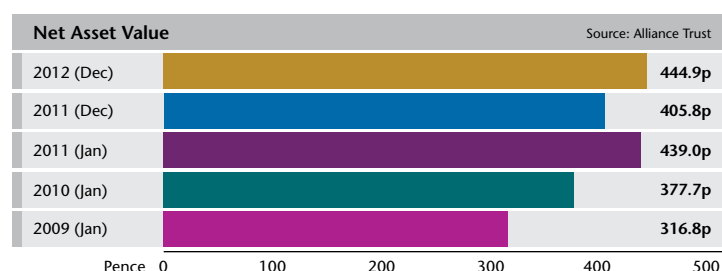
REPORT AND ACCOUNTS

for the year ended 31 December 2012

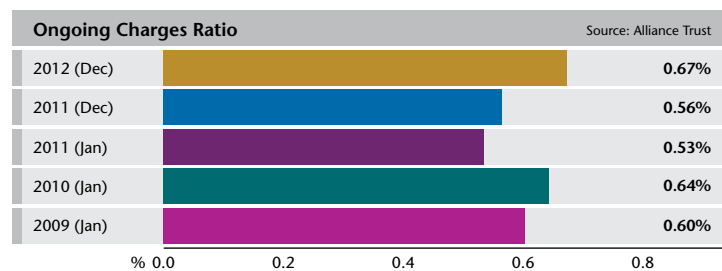


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*special dividend of 0.36p
 **special dividend of 0.5p



444.9p

Net Asset Value Total Return

in line with the Global Growth Sector

NAV
Total Return

12.1%

375.3p

Total Shareholder Return

in line with the Global Growth Sector

Total
Shareholder
Return

12.4%

9.27p Ordinary Dividend

0.36p Special Dividend

The total **Dividend** increased by **7%**

3%

+

4%

0.67%

The **Ongoing Charges Ratio**
(formerly Total Expense Ratio)
increased by 11 basis points

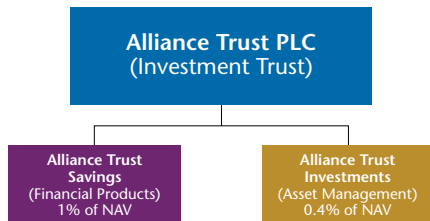
Ongoing
Charges Ratio

11bps

Our business

Who we are

Alliance Trust PLC



We have two wholly-owned subsidiaries which are held as investments on which the Trust seeks to make a commercial return. Alliance Trust Investments has taken a meaningful step toward profitability by significantly increasing third party assets under management and advice and Alliance Trust Savings is now well positioned to perform profitably throughout 2013.

We are an investment and savings business with a 125 year history of building investor wealth.

We are the UK's largest generalist investment trust by market value listed on the London Stock Exchange. As at 31 December 2012 we had net assets of nearly £2.5bn.

We offer our investors, clients and customers a unique portfolio of products and services which have all been designed with a particular need in mind. From a renowned investment trust to an innovative range of investment strategies and funds and a multi-award winning investment platform where investors can host their ISA, SIPP or investment account.

Our focus is investment in global equities and fixed income, which we believe will provide good long term growth and income. We also hold other investments where we see that value can be achieved over a longer period.

What we said we would do in 2012

"We will continue the work that has been taking place over the last few years and which has been aimed at streamlining the portfolio to deliver improved investment performance."

We will seek to deliver strong performance in order to narrow the discount between our Net Asset Value and share price."

Alliance Trust Investments



We are a specialist fund management business which launched its first fund in 2009 and which offers a broad selection of open ended funds and investment solutions. As at 31 December 2012 the value of investments under management and advice was £1.9bn.

Our purpose is to utilise the experience and skills of our investment managers to provide a flexible and bespoke service which will aim to attract third party assets. This is raising the Trust's profile and, through the management fee income earned as the level of investments grows, will provide an additional revenue stream.

"We will launch new funds where we have the appropriate level of skills and identify a demand. In addition to the existing funds, all of which are available to individuals as well as institutional investors, we will increase awareness of the skills of our investment team to attract third party fund management mandates."

Alliance Trust Savings



Since 1986 we have been providing a convenient way for shareholders to hold shares in Alliance Trust. Today we provide high quality financial products to private investors, financial advisers and discretionary fund managers.

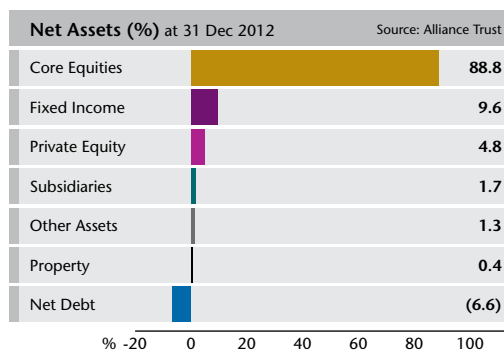
Over the last three years we have restructured the business and it is now an established, award winning, investment platform providing access to a wide range of shares and investment funds.

The focus is to have a business which both adds value and increases the visibility of the Trust to potential investors.

"We will build on the growth and momentum achieved in recent years. We will continue to enhance our customer and adviser propositions and further significantly develop our online capabilities. Our i.nvest platform is well positioned in both the retail and intermediated markets to take full advantage of the changes being introduced through the Retail Distribution Review in 2013."

What we did in 2012

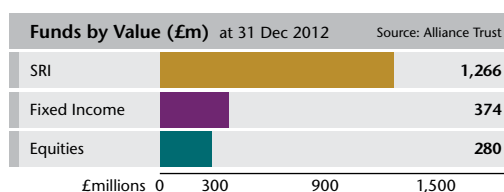
- In July, we announced the restructuring of the four regional equity portfolios into one global portfolio. This led to a reorganisation of the investment team.
- We reduced the number of direct equity holdings to around 100 holdings and will aim to take larger positions in the companies in which we invest than we have done in the past.
- The Total Shareholder Return of 12.4% and the NAV Total Return of 12.1% are in line with that of the Global Growth Sector for the year.



What we will do in 2013

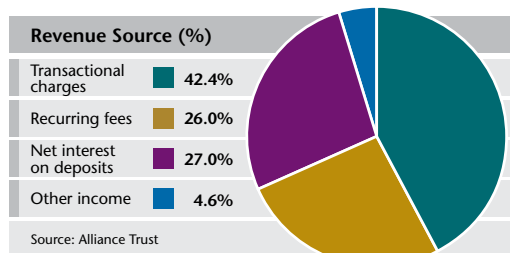
- We will embed the changes resulting from our portfolio restructuring and continue to streamline the Company.
- Our focus will remain on investment performance as the most sustainable way of delivering an increasing Total Shareholder Return.

- We integrated the Sustainable and Responsible Investment (SRI) team and a £1.2bn portfolio of funds from Aviva Investors into our business.
- We launched the Dynamic Bond Fund.
- The Monthly Income Bond Fund was the best performing fund in its sector at the end of the year and continues to attract third party inflows.
- We closed three funds in order to focus on the three core areas of Global Equity, Fixed Income and SRI.



- We will focus on building a profitable business which will create genuine value for the Trust over the longer term.
- We will complete the transition of the funds from Aviva and relaunch them as Alliance Trust Investments' funds.

- We divested the SSAS business during the year and the Full SIPP business after the year end.
- Our self-select investment business achieved monthly profitability by the year end.
- We won awards for Best Customer Service and Best User Experience of Direct Platforms and were highly commended for our Junior and Stocks and Shares ISAs.



- We are well positioned to perform profitably throughout 2013.
- We will grow our adviser site offering as the Retail Distribution Review (RDR) drives IFAs to look at how to minimise platform costs to their clients.

Key Performance Indicators

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.

Key Performance Indicators

Percentage change in Net Asset Value against the peer group over 6 months, 1, 3 and 5 years on a rolling basis.

This KPI demonstrates how our investment performance ranks against other investment trusts in the AIC Global Growth sector. We consider performance from the short to the long term.

Percentage change in Total Shareholder Return against the peer group over 6 months, 1, 3 and 5 years on a rolling basis.

This KPI demonstrates the real return to our shareholders through dividends paid and increased share value. Again we consider performance from the short to the long term.

Dividend growth over 1, 3 and 5 years.

We have a long established policy of paying an annually increasing dividend.

Management of the Company's cost base in line with market conditions.

In the current economic conditions it is important that close attention is paid to the cost of running the business.

Performance

What we did in 2012

NAV Total Return	6 Months	1 Year	3 Years	5 Years
Alliance Trust	6.2%	12.1%	19.7%	13.2%
Global Growth Sector	6.8%	12.4%	21.5%	10.5%
Out/(under) performance	(0.6%)	(0.3%)	(1.5%)	2.4%

Source: Morningstar and Alliance Trust

NAV performance was at or close to that of the Global Growth Sector over six months, 1 and 5 years but below the sector over 3 years.

Total Shareholder Return	6 Months	1 Year	3 Years	5 Years
Alliance Trust	7.9%	12.4%	23.2%	19.1%
Global Growth Sector	7.0%	12.3%	23.4%	13.2%
Out/(under) performance	0.8%	0.1%	(0.2%)	5.3%

Source: Morningstar and Alliance Trust

Total Shareholder Return was in line with or above that of the Global Growth Sector over all periods.

Dividend Growth	1 Year	3 Years	5 Years
Total over the period*	7.0%	18.2%	21.9%
Compound annual growth rate*	7.0%	5.7%	4.0%

* Including special dividend

Source: Alliance Trust

The fourth quarterly dividend will be 2.3175p, which will be paid on 5 April 2013. The total ordinary dividend will be 9.27p. A further 0.36p will be paid as a special dividend on or around 1 July 2013, making a total payment for the year of 9.63p, representing a total increase of 7% for the year.

Costs	Dec 12	Dec 11	Jan 11	Jan 10	Jan 09
Company Expenses	£18.7m	£16.0m	£17.0m	£16.0m	£16.8m
Ongoing Charges Ratio	0.67%	0.56%	0.53%	0.64%	0.60%

Source: Alliance Trust

The increase in Company expenses compared with the annualised prior period of £17.2m was mainly due to the £1m one-off reorganisation costs associated with the restructure of the investment team. The Company also benefited in the previous period from a one-off gain of £0.8m which was netted off against administrative expenses as a result of the closure of the Defined Benefit pension scheme to future accrual.

Statement from the Chair



“I am delighted to have the opportunity to present my first statement to shareholders in the same year as Alliance Trust celebrates its 125th anniversary. The nature of our business and the environment in which we operate has undergone great change since 1888, and today more than ever there is a need for us to retain the trust of those we serve.”

Karin Forseke

At Alliance Trust, our culture and values are captured in our vision “to be the UK’s most trusted investment and savings business”. We need to demonstrate focus on sustainability in everything we do, by:

- Long-term, consistent and strong investment performance
- Focus on client relationships and customer service
- Transparent communication
- A focus on people
- Building products to meet specific needs
- Strong corporate governance

Our investment team continues to build a consistent long-term track record, following the actions which we have taken to sharpen our focus on our core capabilities of equities and fixed income. At the same time our investment and savings businesses have both reached key milestones in their development which should give shareholders the confidence that they can represent a source of value and differentiation. We have also undertaken a number of exciting new initiatives despite the continuing challenges across the markets in which we operate.

Dividend Policy

I announced the intention at our last AGM that, in light of the greater flexibility available to investment trusts following recent changes to the tax regime, the Board would review its dividend policy in the course of this year. Having completed this review we intend to retain our policy of paying a steadily rising dividend. However, we now intend, under normal circumstances, to pay out all of each year’s net revenue earnings. Where our current year’s earnings exceed our previously published guidance we may pay a special dividend from those earnings. We have also decided that, unless there are exceptional circumstances, we will not pay dividends out of our realised capital reserves as we believe that, in the longer term, this is not sustainable.

Dividend

Our ordinary dividend of 9.27p continues our long and proud tradition of annual increases in the dividend, now stretching into a 46th consecutive year, a record shared with only a handful of other FTSE companies. In addition, we are also announcing a special dividend of 0.36p per share, payable on or around 1 July 2013, making a total for the year of 9.63p per share, a 7% increase over the previous period. The total dividend is again paid from current year earnings. The declaration of a special dividend reflects the level of income generated last year from the companies in our portfolio, during a period when dividend growth was strong.

Discount and share buybacks

Our willingness to undertake share buybacks where we judge it to be beneficial to shareholders is now well established, and we are committed to the ongoing flexible use of buybacks, taking into account the Company's discount relative to the peer group. During the year we bought back around 5% of the Company's share capital.

The effect of our policy of buy-backs has been to reduce the volatility of the discount of our share price to NAV. During 2012, it traded in a narrower range than in any of the last five years. Over the year, the discount narrowed to 13.7% as markets rallied in the first quarter of the year, and then, along with many of the other big trusts in the sector, we saw discounts widen until late June. Thereafter, the discount has been narrowing consistently, so that it ended the year where it started, broadly unchanged, at 15.6%.

Business developments

Each of our businesses underwent change during the course of the year.

The investment portfolio was radically restructured to ensure that going forward we invest on a genuinely global basis, unconstrained by issues of regional allocation, to create long term value for shareholders.

Alliance Trust Savings reached agreement to sell its more complex Full Self Invested Personal Pension (SIPP) business and sold its Small Self Administered Scheme (SSAS) pensions business. This allows it to focus on the opportunities open to a transparently priced on-line trading platform in the new regulatory environment. After a long period of investment in the repositioning of this business it is now well positioned to perform profitably throughout 2013.

Alliance Trust Investments was successful in acquiring Aviva's Sustainable and Responsible Investment team and the funds which it managed, amounting to some £1.2bn. This gives our third party asset management business critical mass in a competitive market place and allows us to offer a product that meets the increasing demand for a sustainable and responsible approach to investments.

The Board

I would like to thank Lesley Knox for all her support, guidance and wise counsel both during her time as a Director and Chairman of your company and also to me as I assumed her role less than a year ago.

Since last year's AGM Consuelo Brooke and Chris Masters have both stood down from the Board and I record my thanks to them both for their contribution. Chris has played an invaluable role in the transition of the Board as Senior Independent Director, and we were fortunate to be able to attract Alastair Kerr as a worthy successor in this role. We

also welcomed Susan Noble as a non-executive director during the year and Win Robbins after the end of the year.

A glance at the biographies of the members of the Board in this report will demonstrate the diversity of backgrounds and experience which they bring to the Board table. We have not adopted a quota or target for gender diversity on the Board because, at a time when there is increasing focus on gender diversity in other companies, we can demonstrate a long-term commitment to selecting the best candidates, regardless of gender, throughout the Company, with women currently comprising over half of the Board and one-third of the Executive Committee. Across the Company as a whole, we are constantly seeking ways to ensure that every member of our staff has the opportunity to fulfil their full potential.

A changing business environment

At a time when the financial services sector is widely mistrusted, and economies are only slowly showing signs of recovery from a long period of recession, the regulatory environment in which we operate and the level of risk which we are prepared to accept within our businesses are regular discussion topics for the Board.

The dramatically increased weight of regulation is an understandable reaction to the events of the past, and we seek to engage constructively with our regulators. We know from our own experience that the cost of regulatory compliance has escalated significantly over recent years. Regulation must, however, be proportionate, preventing excessive risk-taking while encouraging a responsible and informed approach to risk. We support a framework that encourages business and provides choice to investors and customers.

Scottish Independence

As a company, Alliance Trust does not believe it is appropriate that we should make any comment on the merits of the Scottish Independence proposals. We are, however, actively engaged with the CBI and Scottish Financial Enterprise in trying to explain and understand what opportunities and challenges may be presented to us as an investor, employer and a provider of financial products. Scottish independence might alter the landscape for regulated financial services products, although we do not expect much detail on this ahead of the referendum in 2014. As a provider of such products, we are used to operating in a constantly changing legislative environment and are adept at analysing the impact that such changes will have on our businesses and adjusting our products accordingly. We will be prepared and ready to deliver the best for our shareholders, customers and clients regardless of the outcome of the referendum on Scottish independence.

Chief Executive's Review



“In a year when trust in the financial sector has been undermined further, it makes me particularly proud to be able to deliver a Total Shareholder Return of 12.4% and an increase in our dividend for the 46th consecutive year. Once again we have been able to deliver the dividend from our current year earnings and I hope that our long term sustainable approach to investing can preserve the transparent and trusted relationship we have with our shareholders.”

Katherine Garrett-Cox

Building products to meet specific needs

The Chair writes of our objective to build products to meet investors' needs and this has driven many of the changes that we have undertaken during the last five years. We have streamlined the investment portfolio and process. We have undertaken a major overhaul of Alliance Trust Savings which is now well positioned to grasp the opportunities presented by the Retail Distribution Review (RDR) and have, in Alliance Trust Investments, a viable asset management business. While the investment portfolio will drive the Net Asset Value (NAV) in the medium term, the two wholly-owned subsidiaries provide a differentiated offering in the investment trust market place and will provide value to the Trust going forward. We have moved up the peer group performance rankings and, as a result, we can tell a more confident story than we could have done in 2007.

Underpinning all these changes has been a desire to ensure that all that we do, how we do it and how it is paid for is clear for all to see. As a self-managed trust, the costs of managing the Trust are much more visible as they are itemised in the profit and loss account, rather than simply being wrapped up in the management fee that managed trusts will be charged. The advantage of this structure to our shareholders is that more of the benefits of the performance of the portfolio will accrue to the shareholder. We are also providing much more detail in these accounts on the key metrics which drive the business plans of our subsidiaries, Alliance Trust Investments and Alliance Trust Savings, in order that the reader can develop a better understanding of the revenue drivers for them and ultimately for the Trust itself.

Long-term, consistent and strong investment performance

During the year, the total return of the NAV and the share price was 12.1% and 12.4% respectively and since Christmas both the NAV and the share price have gone on to reach all time highs, whereas many market indices remain below levels reached in 2008. We do not have a fixed benchmark as we believe that this would constrain our ability to shape the portfolio to protect our shareholders capital. However, we recognise that many like to measure the Trust against an index. By way of comparison, during 2012, the total return of the Global Growth Investment Trust sector was 12.3%, FTSE All-Share Index was 12.3% and the MSCI All-Country World Index was 11.7%. Most of these gains accrued in the second half of the year following the announcement of the bailout of the Spanish Banks, the decision by the European Central Bank to buy European government bonds and latterly, the decision by the US to extend the debt ceiling in early 2013.

Over the last two years, we have reduced the level and the volatility of the discount thereby providing our shareholders with much greater levels of confidence about the ongoing

relationship between the NAV and the share price. At the end of the year we had almost 90% of the portfolio invested in equity markets, as we believe that this asset class will be the best performing over the long term. We select stocks which we believe will best protect and preserve our shareholders' capital, while providing the potential to generate good returns over the long term.

At the same time, interest rates have languished at their lowest levels since records began for the last four years and we are not forecasting an early return to base rates of 5%. Against such a backdrop, we are constantly reminded by our shareholders of the importance that they place on sustainable income, both in its own right, but also as a component of total return.

Investment team and portfolio structure

In December 2008, we announced our intention to refocus Alliance Trust on its core competencies, which we defined as being investment in global equities and fixed income. Last July, we took the latest step in this process when we announced a radical change to the way in which we manage the equity portfolio of the Trust. Since 2004 we had managed the portfolio on a regional basis, but we concluded that this was failing to recognise that the world is becoming ever more interconnected and that it was not delivering the best return for the level of risk to which the portfolio has been exposed. Consequently, we combined all the equity portfolios into one and appointed Ilario Di Bon to the role of Head of Equities, with direct responsibility for managing the equity portfolio.

One of the consequences of this change is that we have been able to reduce the number of direct equity holdings to around 100 at the year end. This concentration of positions allows us to benefit from greater exposure to our best ideas. The impact of these changes can be seen in the shape of the portfolio. For the first time since 1987, the largest position in the portfolio is not a UK company and at the end of December 2012, none of the top three holdings had their primary listing in the UK. We explain more about these changes in the portfolio review section on pages 13 to 17.

This change in approach led to a reappraisal of the staffing needs of the investment team. This has also been restructured to reflect the change in focus and, as a consequence, we have reduced the headcount of the Trust's investment team by about one-third. We now run an integrated team of global sector specialists and regional income experts. Over the last 18 months we have been able to be more flexible about where the investment team is based and half of the investment team is now based in our London office, with the balance split between our Dundee and Edinburgh offices.

Income generation

Over the year we have reduced our exposure to UK listed companies and, in particular, have invested more into the US. We undertake detailed analysis to understand the difference between where a company is listed and where it derives its income as we believe that this is a much more accurate indicator as to the future prospects for the income we receive. Many Asian, European and US companies are now returning value to shareholders through dividends to the extent that we have been able to diversify the portfolio away from the UK market, where the bulk of the dividends are concentrated in a handful of stocks, to a much broader base of quality international companies. In addition we have also increased our allocation to fixed income, which now stands at over 9%, and this will allow us to focus the equity portfolio more on delivering capital growth, while still yielding income to the Trust. We anticipate that UK interest rates will remain close to the current low levels, so being able to pay a growing dividend from current year earnings will remain one of our key future objectives.

Borrowing

The Trust's low risk and liquid portfolio enables it to secure the most competitive rates for our borrowing facilities. The average rate for our current borrowings is 1.6%, which compares favourably with the rates available to other institutions. The level of net debt at the end of the year stood at 6.6%, broadly similar to the start of the year. The net amount of borrowing invested in the markets was reduced in the first half of the year as concerns in Europe continued. As the outlook improved in July, following the commitment to stabilise the financial sector, we increased net debt. We will continue to replace and renew our borrowing facilities to ensure we maintain the flexibility to enhance returns by selectively borrowing to fund the portfolio investments. In 2012 borrowings contributed 0.8% to the total return.

Focusing on client relationships and customer service

We believe that Alliance Trust provides a valuable service to the private investor and bridges the gap between the financial and the non-financial community. We employ a team of professional investors to build, manage and monitor a portfolio of assets, in order to provide our shareholders with exposure to equities from all over the world on a cost effective basis. Investment trusts were originally created for "the investor of moderate means" and that still holds true today as around 68% of the shares are either directly or beneficially held by private individuals. We consider the feedback from our large and diverse shareholder base as we formulate our strategy, aware that consistency of returns is equally, if not more important, than short-term performance.

Chief Executive's Review

Alliance Trust is unique in that there is no other investment trust with our structure, with our two wholly owned subsidiaries, providing products and services to the wider investment community. Over time we expect that these will provide added value to the shareholders of the Trust. In particular, Alliance Trust Savings provides a savings platform for over 62,000 retail investors and in the last year has won awards or been commended for all that it does; for its customer service, for its products and for the platform upon which the products sit. It has undergone significant change over the last four years and is well positioned to perform profitably throughout 2013. This comes at a time when the Retail Distribution Review is challenging the structure and provision of investment products and we expect that our business model will stand up well under such scrutiny.

Business development

Since the year end Alliance Trust has entered into an outsourcing agreement with its existing supplier of outsourced investment administration services, BNY Mellon. The agreement extends the scope of services provided by BNY Mellon to include middle and back office activities for both Alliance Trust PLC and Alliance Trust Investments.

This decision was taken, following an extensive supplier selection exercise, in order to allow us to focus on our core competencies and outsource some of the portfolio administration functions. We envisage that while this will not result in significant cost savings in the short term, the arrangement will provide a single, scalable and cost-effective solution. In addition it will allow us to shorten the time to market for new products and services, and enable management to focus greater effort and investment on those critical value adding activities of investment management and business development.

Transparent communication

Over the last 12 months we sought the views of a wide range of private investors, investment analysts, advisers and journalists on Alliance Trust. We were seeking to understand whether our current shareholders, investment analysts, advisers and journalists felt that the Alliance Trust brand was robust enough to attract the next generation of investors. This is of special relevance today as the Retail Distribution Review alters the investment landscape.

We are seen as independent, solid, committed and trusted by many loyal investors. But, at the same time, in the eyes of some, we have appeared dull, old-fashioned and boring. We recognised that we had two tasks. The first was to ensure that all our staff are better informed about all parts of the business and the second was to look at how we appear to the outside world. The logo on the front cover is the product of this project and it works to bring a more united presentation of Alliance Trust PLC, Alliance Trust

Investments and Alliance Trust Savings. We will be rolling it out across the entire business over the next six months.

A focus on people

At Alliance Trust we are dedicated to developing the talent at all levels within our business. The key to our success as a business depends upon the engagement and dedication of our people and we are committed to unlocking potential and providing our people with rewarding and challenging careers. We achieve this through a combination of formal leadership programmes, which develop leadership styles and techniques, ongoing in-house training for all staff, comprehensive graduate recruitment programmes and internships. We were delighted to be able to attract a visiting Harvard Professor to deliver a thought provoking programme for our senior leaders in June 2012. We also target the leadership development of our emerging leaders to ensure that we are nurturing the next level of management for the future, through various programmes including an MBA run in conjunction with Strathclyde Business School. We devote time and energy into developing our key people and careful selection is made of established and emerging leaders to participate in key projects. We realise that the best ideas come from all levels of our business and our culture encourages contribution and challenge.

Outlook

Equity markets have started 2013 in a positive mood, with the best market performance for over 10 years, despite a number of fundamental global monetary imbalances and economic activity remaining subdued. Alliance Trust has had its best start to a year in terms of share price performance and NAV performance for over 20 years.

This highlights one of the key issues faced when positioning the portfolio for the long term. If we look in isolation for cyclical economic changes to determine which countries and sectors will do best, then we are likely to increase portfolio turnover, thus increasing costs and run the risk of misreading the economic signals and being held hostage to macro and political misadventure.

This is why we remain committed to our rigorous and thematic bottom up approach to ensure our investment decisions are focused on finding high quality companies with consistency of earnings, sound management teams and compelling business models as these companies are best placed to weather changes to market sentiment. The formal investment process is made up of four interconnecting elements of idea generation, idea validation, portfolio construction and risk management. We have targeted a portfolio of around 100 stocks, which means that we invest with greater conviction than we have in the past. This spreads the investment risk sufficiently but still allows us to deliver above market returns over the long term.

We cover the details of this thematic approach later in this report. In essence we have continued to add to our high conviction holdings such as Pfizer and Qualcomm, and have taken profits in stocks that have realised their potential and initiated new holdings in companies with sustainable long-term prospects.

Looking forward into 2013, we continue to assert that equities remain good value relative to other asset classes, particularly government bonds. At a company level we are analysing a range of interesting opportunities which meet our investment criteria and we continue to meet with management of well run businesses with strong balance sheets and valuations that are consistent with above average returns, particularly for long-term investors such as Alliance Trust.

The economic backdrop to this fundamental approach is less gloomy than last year and we forecast that the global economy will grow in 2013, albeit marginally. Many governments and financial institutions will face the challenge of repairing their balance sheets and policy makers will be faced with difficult decisions between austerity and stimulating growth. Recent market moves and the strong flow of funds into equities from bonds suggest that investors feel more confident that the outlook is improving and confidence will play a part in global recovery. However, while we do not expect the current rally to run for the rest of the year at the current pace, we are confident that our portfolio of companies is well placed to drive returns for the Trust.

Portfolio Performance Analysis

Performance

The Net Asset Value (NAV) total return for 2012, including reinvested dividends, was 12.1%. Although we do not have a formal benchmark this compares favourably with a return of 11.7% for global equity markets, represented by the MSCI All Country World Index in Sterling terms.

Equity investments, representing on average 95% of net assets, contributed 10.3% to the NAV total return. The attribution analysis table overleaf gives more information on how this performance was generated from a global sector perspective as this is more representative of how we invest than a geographical analysis.

Investments in fixed income provided over 1% to the total return. The allocation to fixed income was increased during the second half of the year to over 9%, and the investments provided a total return of nearly 23%. It was a strong year for fixed income markets in general, and the Trust's investment in the Monthly Income Bond Fund, which accounted for the majority of the Trust's investment in fixed income, had a relative positive return of 4% compared to the IBoxx Sterling Corporate Bond 5-15 year index which is the benchmark for that fund.

Other Assets – which include Private Equity, Real Estate and Subsidiaries – made a small positive contribution to NAV growth, while cash balances made a negligible return due to the continuing very low level of interest rates. Currency hedging added 0.3% (£7 million) to net assets during the year.

The low interest rate environment allowed the Trust to borrow at attractive interest rates of 1.6% on average. The average level of gearing was just under 10%. The cost of borrowing was low in relation to the returns that were earned on the Trust's investments, leading to an Allocation gain (a contribution to relative performance) of over 0.8%.

Expenses of £18.7m had the effect of reducing NAV by 0.8% during the year.

Share buy-backs, mainly in the first half of the year, led to gains of just over 1% of NAV. In total, 31.7 million shares were repurchased at a weighted average discount to NAV of 16.5%.

Contribution Analysis (%)	Average Exposure	Rate of Return	Contribution to Total Return
Equities	95.3	10.9	10.3
Fixed Income	5.5	22.8	1.2
Other Assets*	6.6	1.9	0.1
Cash & FX	2.7	16.3	0.5
Gearing (cost of borrowing)	-10.0	1.6	-0.2
Expenses			-0.8
Share Buy-backs			1.0
NAV Total Return			12.1
Effect of Discount			0.3
Share Price Total Return			12.4
MSCI ACWI Total Return			11.7

* Private Equity, Real Estate and Subsidiaries
Source: Alliance Trust

Portfolio Performance Analysis

Attribution

The Attribution Analysis table below breaks down the performance of the Trust by sector and identifies the extent to which each part of the portfolio contributed to the Trust's overall return relative to the chosen reference index, in this case the MSCI All-Country World Index. It shows the weighting of the assets in the portfolio and the index to identify where the Trust is overweight or underweight and the return of each sector or asset class in the portfolio in the index. The chosen reference index has no exposure to cash, so no weight or return is shown.

The degree of out/underperformance is then attributed to:

- Stock selection – This measures the degree to which the stocks that we held in each sector did better or worse than the sector (e.g. although we were overweight in Materials, which did not do very well relative to the index as a whole, we selected good stocks in that sector)
- Asset allocation – (e.g. we had less in Telecoms than the index, and Telecoms did not perform as well as the index as a whole).

We have analysed the portfolio by sector as this reflects the adoption, in July 2012, of a single global equity portfolio approach for the majority of the Trust's assets.

Our investment approach is now predominantly based on stock selection rather than taking deliberate active positions on a sector basis, but this provides a useful insight into the structure of the portfolio.

Stock selection was relatively strong in Materials and Utilities but relatively poor in Energy, Consumer Discretionary and Financials. From a sector allocation perspective, the underweight positions in the high-performing Financials and Consumer Discretionary sector were both minor detractors from relative performance, while the underweight in Telecommunication was beneficial as this sector lagged the broad market.

In the course of the year, as the portfolio was restructured, the weight in Health Care and Information Technology increased while the weight in Energy, Materials and Industrials decreased, based on our analysis of the attractiveness of the companies in those sectors.

Index futures were used for hedging purposes in the first half of 2012 and for efficient portfolio management in the second half of the year while the portfolio was being restructured.

The table also highlights the positive effect of both the allocation to fixed income as an asset class and the fixed income stock selection relative to the reference index.

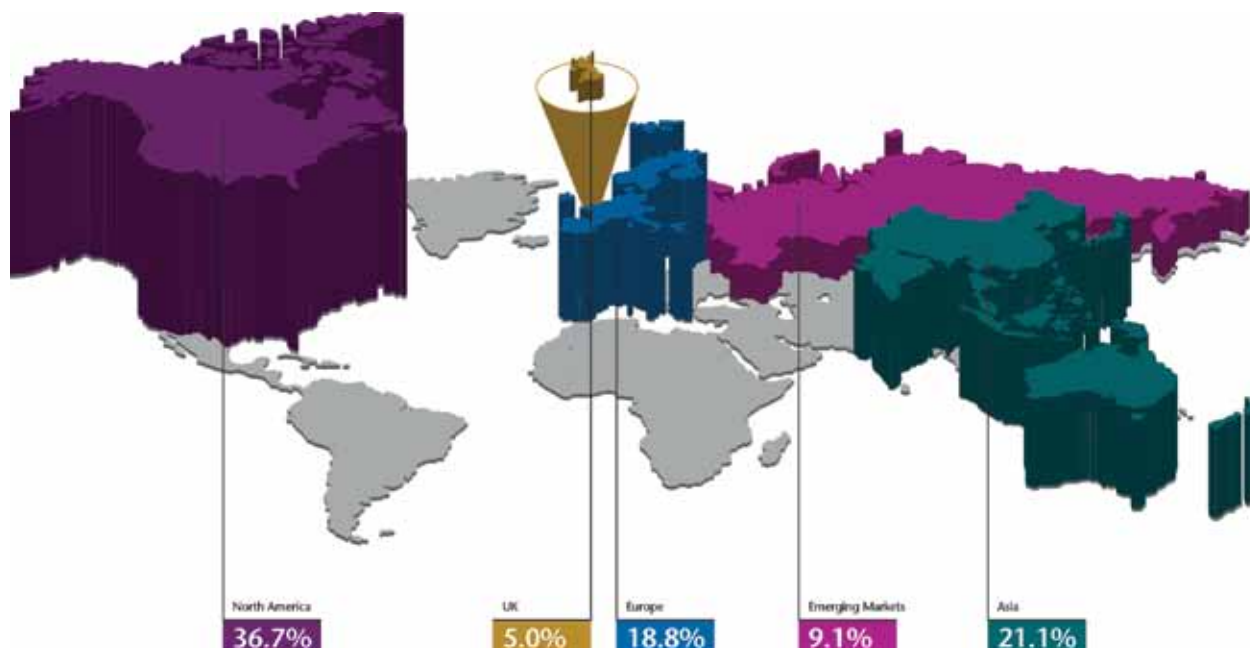
Attribution Analysis (%)	Alliance Trust		MSCI All Country World Index		Sector/Asset Allocation Effect	Stock Selection Effect	Total Relative Effect
	Average Weight	Total Return	Average Weight	Total Return			
Consumer Discretionary	7.6	11.7	10.4	18.6	-0.2	-0.4	-0.6
Consumer Staples	9.7	12.2	10.6	10.4	0.0	0.2	0.2
Energy	10.9	-8.7	11.3	-1.4	0.1	-0.7	-0.6
Financials	17.7	22.0	19.5	23.8	-0.2	-0.3	-0.5
Health Care	11.4	14.6	9.3	13.4	0.0	0.1	0.1
Industrials	13.0	10.9	10.4	11.6	-0.1	-0.1	-0.2
Information Technology	9.6	12.3	12.6	10.7	-0.2	0.2	0.1
Materials	7.9	14.2	7.6	6.4	-0.1	0.5	0.4
Telecommunication Services	2.5	0.4	4.6	4.3	0.2	-0.1	0.1
Utilities	2.8	11.3	3.7	-1.3	0.1	0.3	0.4
Index Futures	2.1	16.1	0.0	-	0.0	-	0.0
Equities	95.3	10.9	100.0	11.7	-0.3	-0.3	-0.6
Fixed Income	5.5	22.8	-	18.2	0.3	0.2	0.5
Cash, FX & Other Assets	9.3	6.1	-	-	-0.5	-	-0.5
Gearing	-10.0	1.6	-	-	0.8	-	0.8
Total	100.0	11.9	100.0	11.7	0.2	-0.1	0.2

Source: Alliance Trust

Portfolio Review

Source of Revenue†

We analyse our portfolio to determine where companies in which we have invested are generating the revenue that will be the source of the dividends that they pay to their shareholders. We believe that this analysis gives a much more accurate indication of the outlook for the companies than relying solely on where they are listed.



† Analysis excludes segmental non-specific income such as "Rest of the World" (9.3%) as the definition varies from company to company.
Source: Alliance Trust

Classification of Investments (%) Source: Alliance Trust

	North America	UK	Europe	Asia	Emerging Markets	Total Dec 12	Total Dec 11*
Energy	2.4	2.6	2.1	0.0	0.1	7.2	12.8
Materials	2.6	1.6	1.2	0.4	0.0	5.8	8.2
Industrials	5.3	1.8	1.9	0.8	0.0	9.8	14.9
Consumer Discretionary	4.0	0.7	1.2	0.9	0.0	6.7	12.9
Health Care	7.6	1.6	3.0	0.0	0.0	12.2	11.0
Consumer Staples	3.1	4.6	1.8	0.5	0.0	10.0	5.5
Telecommunication Services	0.4	0.0	0.0	1.7	0.0	2.0	3.8
Utilities	1.7	1.0	0.4	1.6	0.0	4.7	2.2
Financials	5.3	6.5	1.5	3.8	0.0	17.1	17.0
Information Technology	7.2	0.4	1.7	4.0	0.0	13.3	7.3
Core Equity Portfolio	39.5	20.7	14.8	13.7	0.1	88.8	95.6
Other Assets	0.4	0.0	0.0	0.0	0.7	1.0	1.4
Private Equity	0.0	4.8	0.0	0.0	0.0	4.8	3.1
Subsidiaries	0.0	1.7	0.0	0.0	0.0	1.7	1.2
Property	0.0	0.4	0.0	0.0	0.0	0.4	0.9
Fixed Income	0.0	9.6	0.0	0.0	0.0	9.6	5.0
Total Investments	39.9	37.1	14.8	13.7	0.8	106.3	107.2
Net Cash / (Gearing)	0.2	(6.8)	0.0	0.0	0.0	(6.6)	(7.7)
Other Net (Liabilities) / Assets	0.0	0.3	0.0	0.0	0.0	0.3	0.5
Net Assets Dec 2012	40.1	30.6	14.8	13.7	0.8	100.0	
Net Assets Dec 2011	29.4	38.6	12.8	18.1	1.1		100.0

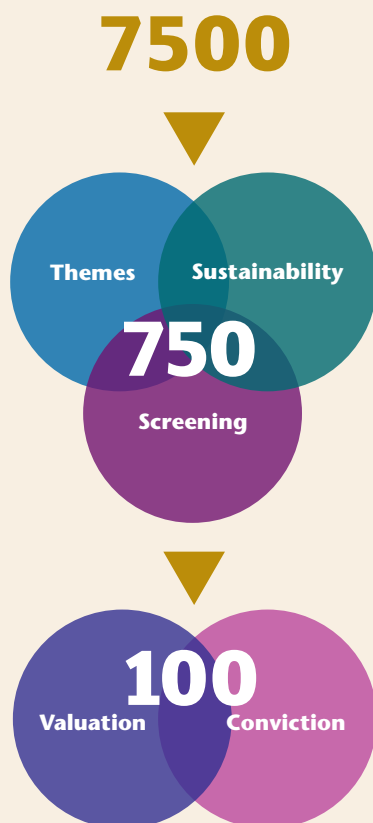
* The classification of investments in 2011 was based on FTSE sectors and in 2012 on MSCI sectors. The 2011 data has been reconfigured to provide an approximate comparator.

Portfolio Review

Our investment process has at its heart the belief that markets are inefficient and that fundamental, insightful research can uncover share price discrepancies. The investment team identifies and capitalises on these inefficiencies across global markets adding to shareholder value regardless of market cycles or a benchmark.

This philosophy leads us to a high conviction approach investing in a long-only portfolio of equities from both developed and emerging markets. In line with our unconstrained approach, the team analyses the companies in which we invest on a seamless, global sector basis, rather than by country of domicile. Based on this process and long-term investment horizon, the portfolio will tend to have a growth with sustainable income bias over time.

As part of this sustainable approach we have a filter mechanism to screen our possible investment universe of over 7,500 stocks down to around 750. The initial screen will look to align our preferred themes and sustainability criteria with the universe of stocks. This then allows us to analyse in depth the list of possible holdings for conviction and valuation to produce the final portfolio of around 100 companies.



Investment Themes

Demographics

The population of the world is now over 7bn and rising. Life expectancy is also rising and at the same time, the standard of living, particularly in Asia, is increasing.

These three factors will combine to have a significant impact on the global economy. More mouths to feed will drive up food prices and encourage producers to increase their productivity.

As standards of living rise, so the level of disposable income increases. This leads to increased demand for branded/luxury goods and financial services.

Environment

The rising cost of living and wage rates in China has led some US companies to “on-shore” production for example; bringing production back to the US as the cost differential is reduced. In response, Chinese firms are increasing levels of investment in automated systems.

We are also investigating the implications of a drive for more fuel-efficient production and transport processes which industry is going to require to implement to meet the increasingly stringent targets on emissions being set by regulators all over the world.

Innovation

The rise of the smartphone has spawned a whole raft of innovations that will drive commerce in the future. The pace of change is relentless and is not restricted to technology in its purest sense. We are also closely following developments in personalised medicine which relies on the analysis of an individual patient’s DNA to tailor drug programmes to their particular needs, something that has only become possible as the cost of DNA analysis has shrunk from \$10m to \$10,000 over the last 12 years.

Portfolio activity

Case studies

Changing Eating Habits:

We have initiated positions in Novo Nordisk in Denmark and Charoen Pokphand Foods in Thailand which has an attractive yield and dividend growth profile. In the case of Novo Nordisk one of the key drivers has been an increase in the incidence of diabetes in emerging economies.

Emerging Luxury:

We also initiated a position in Coach, a US luxury goods manufacturer which has a growing footprint in South East Asia.

Financial Services Penetration:

We created a new position in Bangkok Bank as we recognise the increasing level of demand for financial services in areas previously not well served by financial services.

Novo Nordisk is a Danish healthcare company and a global leader in diabetes care with over 50% of the total insulin market. It continues to see strong sales driven by existing market growth with the adoption of modern insulin and an uplift from new products. Penetration of diabetes in emerging countries, in China for example, is a long-term growth driver and the growth potential for this company is what led us to our investment decision.

Asian Automation:

We have increased the Trust's position in a Japanese company called Fanuc which we have held for a number of years.

Sustainable Transportation:

We created new positions in BorgWarner, a US Auto Components maker, and Cummins Inc. a global leader in the design, manufacture and distribution of power generation systems, based in the US.

Fanuc is the global leader in robotics and factory automation. It benefits from the structural growth in wages in Asia, in particular China, which drives the need to improve productivity. Substitution of labour by automated facilities has been the key driver of growth for Fanuc not only in Asia but also in the rest of the developed and emerging world. This potential as a sustainable provider of growth is what initially attracted us to the stock.

Smart Communications:

During 2012 we initiated a position in Qualcomm, a US electronics company, as well as in the South Korean company Samsung Electronics.

Personalised Medicine:

In the pharmaceutical sector we created a new position in Roche of Switzerland.

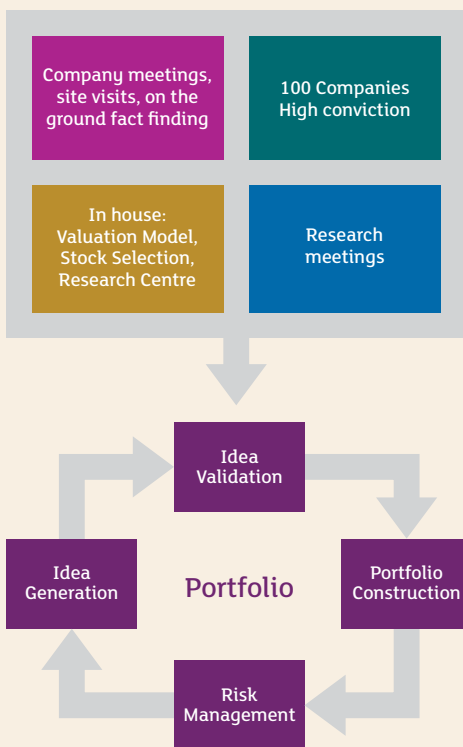
E-commerce:

We also created a new position in Google, the US Internet and software services company.

Qualcomm, the US semiconductor company and leader for mobile phone applications, is now one of our largest holdings. The investment rationale is that it plays on smartphone growth and 3G/4G adoption. Because of its strong market position it is insulated from intensifying competition in the market related to competing handset styles and operating systems. This gives it a sustainability and stability of earnings which makes it attractive as an investment.

Portfolio Review

Investing with an unconstrained approach allows the team to look across global equity markets without reference to a benchmark. The team adopts a disciplined investment process which assists in generating ideas for the long-term. The emphasis is first and foremost on stock specific opportunities. Typically, the team seeks to exploit inefficiencies in a stock's long-term discount to intrinsic value. The team's emphasis is always on bottom-up, stock specific opportunities and identifying complementary structural themes which assists it in analysing and forecasting long-term sustainable corporate development and financial performance. The typical investment horizon is 3-5 years. However, within the boundaries of this disciplined investment and risk management process, the team can also take opportunistic and shorter-term investment decisions.



We are committed to building and maintaining relationships with the companies in which we invest and as such, endorse the updated UK Stewardship Code, which promotes dialogue between shareholders and boards. We continue as signatories of the UN Principles for Responsible Investment (UN PRI) which advocates environmental, social and corporate governance considerations when taking investment decisions. We actively engage with other investors through the UN PRI initiative as part of an international network of investors working together to promote a more sustainable global financial system. As such we do not participate in any stock lending activities.

We have a link to our Stewardship Policy Statement on the Company website as well as a report on all our voting activities which are also detailed on page 26.

Investment Themes

Global Realignment

We are seeing a shift of power from West to East. Coupled with this is the development of new consumer markets in Asia. Opportunities are developing for companies used to operating in ex-growth markets to expand in these more vibrant economic environments. These opportunities are not without risk and we look here for companies that have a strategy and the capability to execute in these new markets.

At the same time we are looking for companies in these new markets which are able to grow alongside their home markets.

Income

The Trust aims to generate around £52m of income after tax in order to cover the cost of the dividend paid to shareholders. Most parts of the investment portfolio contribute to this. The Alliance Trust Monthly Income Bond Fund generates a running yield of 6% and the bulk of the remainder will come from the equity portfolio.

When investing, we look at the sustainability of income in a variety of ways – one of which is to ensure that balance sheets are strong with good dividend cover and positive cash flow.

Portfolio activity

Case studies

Banking Consolidation:

We created a new position in Wells Fargo, a US bank, in July following detailed analysis of the company and an evaluation of the sector following the banking crisis.

Turnaround:

The German company Henkel, a leading provider of laundry, beauty care and adhesive products to the consumer and industrial sectors, attracted us because of its market position and valuation and we have initiated a position during 2012.

Wells Fargo is a US commercial bank. It benefits from a talented management team, diversified business mix and a retail deposit base that drives one of the highest Net Interest Margins amongst its US peers. Its revenues and cost synergies have been successfully extracted from acquisitions and it has a sustainability of Return on Equity that has been underappreciated by the market. Within an industry that remains under pressure, Wells Fargo is one of the few institutions that has continued to post strong financial results benefiting from its trusted position in a changing sector.

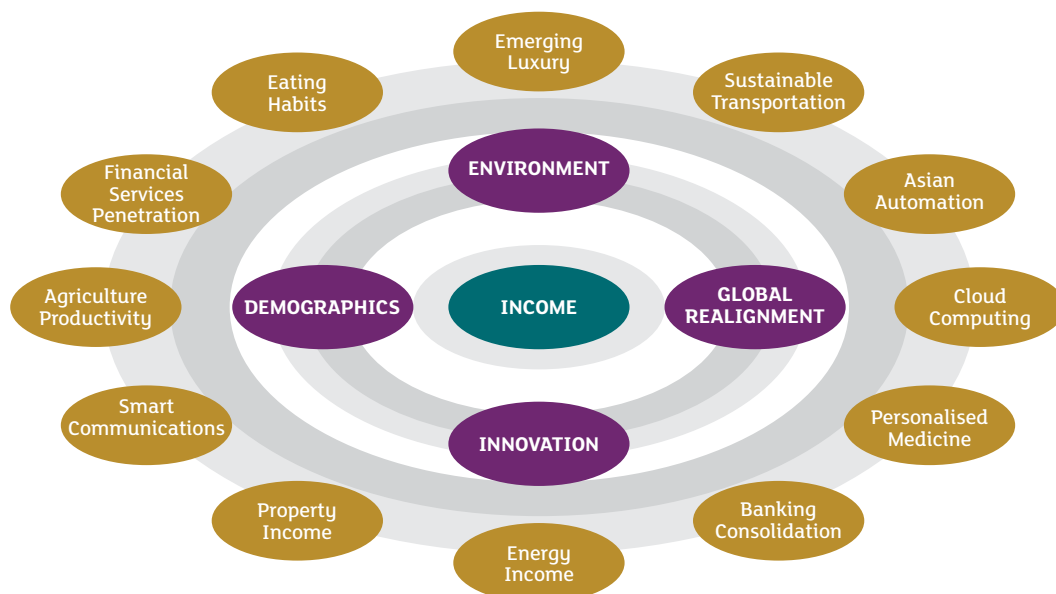
Energy Income:

We have increased our position in Enterprise Products Partners in the US, ENI in Italy and Total in France. All these companies have delivered consistently strong dividends over the past twelve months.

Property Income:

We have increased our position in Ascendas, a Real Estate Investment Trust company (REIT), based in Singapore. It is Singapore's first and largest listed business space and industrial real estate investment trust with a diversified portfolio of 101 properties in Singapore and one property in China.

Enterprise Products Partners is the largest US provider of pipelines to producers and consumers of natural gas liquids (NGLs), crude oil, refined products and petrochemicals. It has good prospects related to the growth in oil and gas production expected to come from the US shale gas industry. It also has positions in the oil and dry gas sectors which are growing. 75% of sales are via "take or pay" contracts making earnings very reliable. Our analysis concluded that the sustainability of growing income was undervalued by the market.



Portfolio Information

All quoted equity holdings as at 31 December 2012

Stock	Country of listing	Sector	Value £m	% of quoted equities
Pfizer	United States	Pharmaceuticals	58.0	2.9%
Samsung Electronics	South Korea	Semiconductors & Semiconductor Equipment	55.4	2.8%
Qualcomm	United States	Communications Equipment	53.0	2.7%
Royal Dutch Shell	United Kingdom	Oil Gas & Consumable Fuels	52.0	2.6%
United Technologies	United States	Aerospace & Defence	46.6	2.4%
Enterprise Products Partners	United States	Gas Utilities	38.5	2.0%
Diageo	United Kingdom	Beverages	36.8	1.9%
American Tower	United States	Real Estate Investment Trusts (Reits)	35.8	1.8%
Prudential	United Kingdom	Insurance	34.0	1.7%
Express Scripts	United States	Health Care Providers & Services	33.5	1.7%
CVS Caremark	United States	Food & Staples Retailing	33.1	1.7%
Apple	United States	Computers & Peripherals	32.3	1.6%
HSBC	United Kingdom	Commercial Banks	31.8	1.6%
Unilever	United Kingdom	Food Products	31.8	1.5%
Mattel	United States	Leisure Equipment & Products	28.9	1.5%
Coach	United States	Textiles Apparel & Luxury Goods	28.5	1.4%
Total	France	Oil Gas & Consumable Fuels	28.3	1.4%
Philip Morris	United States	Tobacco	28.3	1.4%
Henkel	Germany	Household Products	27.8	1.4%
Danaher	United States	Industrial Conglomerates	27.5	1.4%
Standard Chartered	United Kingdom	Commercial Banks	26.7	1.4%
Sanofi	France	Pharmaceuticals	26.1	1.3%
National Grid	United Kingdom	Multi-Utilities	25.4	1.3%
Legal & General Group	United Kingdom	Insurance	25.4	1.3%
Wells Fargo & Co.	United States	Commercial Banks	25.3	1.3%
GlaxoSmithKline	United Kingdom	Pharmaceuticals	25.1	1.3%
BASF	Germany	Chemicals	23.4	1.2%
Visa	United States	IT Services	22.8	1.2%
Microsoft	United States	Software	22.5	1.1%
Deutsche Post	Germany	Air Freight & Logistics	21.9	1.1%
Amgen	United States	Biotechnology	21.7	1.1%
Ascendas Real Estate Investment Trust	Singapore	Real Estate Investment Trusts (Reits)	21.5	1.1%
ENI	Italy	Oil Gas & Consumable Fuels	21.4	1.1%
Xstrata	United Kingdom	Metals & Mining	21.3	1.1%
Fanuc	Japan	Machinery	21.0	1.1%
Bank of Nova Scotia	Canada	Commercial Banks	20.9	1.1%
Lloyds Banking Group	United Kingdom	Commercial Banks	20.9	1.1%
British American Tobacco	United Kingdom	Tobacco	20.6	1.0%
BorgWarner	United States	Auto Components	20.5	1.0%
SABMiller	United Kingdom	Beverages	20.1	1.0%
Roche Holding	Switzerland	Pharmaceuticals	19.9	1.0%
Experian	United Kingdom	Professional Services	19.9	1.0%
Taiwan Semiconductor Manufacturing Co.	Taiwan	Semiconductors & Semiconductor Equipment	19.7	1.0%
Oceaneering International	United States	Energy Equipment & Services	19.6	1.0%
Monsanto	United States	Chemicals	19.5	1.0%
RSA Insurance Group	United Kingdom	Insurance	19.5	1.0%
BHP Billiton	United Kingdom	Metals & Mining	18.1	0.9%
Praxair	United States	Chemicals	18.0	0.9%
Cerner	United States	Health Care Technology	17.7	0.9%
Cummins	United States	Machinery	17.3	0.9%
China Gas Holdings	Taiwan	Gas Utilities	17.2	0.9%
Ericsson	Sweden	Communications Equipment	17.1	0.9%
SAP	Germany	Software	17.1	0.9%
Union Pacific	United States	Road & Rail	16.8	0.9%
Kabel Deutschland Holding	Germany	Media	16.7	0.9%
Pearson	United Kingdom	Media	16.7	0.8%
AmerisourceBergen	United States	Health Care Providers & Services	16.6	0.8%
Adecco	Switzerland	Professional Services	16.5	0.8%
Australia & New Zealand Banking Group	Australia	Commercial Banks	16.4	0.8%
DaVita HealthCare Partners	United States	Health Care Providers & Services	16.3	0.8%
Ashmore Global Opportunities	United Kingdom	Mutual Fund	16.3	0.8%
Google	United States	Internet Software & Services	16.3	0.8%
Telecom Corp. of New Zealand	New Zealand	Diversified Telecommunication Services	15.0	0.8%
Axiata Group Berhad	Malaysia	Wireless Telecommunication Services	14.7	0.7%
Novo Nordisk	Denmark	Pharmaceuticals	14.6	0.7%
Hyundai Mobis	South Korea	Auto Components	14.5	0.7%
Mosaic	United States	Chemicals	14.5	0.7%
InterOil	Canada	Energy	14.3	0.7%

All quoted equity holdings as at 31 December 2012

Stock	Country of listing	Sector	Value £m	% of quoted equities
AstraZeneca	United Kingdom	Pharmaceuticals	14.3	0.7%
Plum Creek Timber Company	United States	Real Estate Investment Trusts (Reits)	14.2	0.7%
Rolls-Royce Holdings	United Kingdom	Aerospace & Defence	14.1	0.7%
Bangkok Bank	Thailand	Commercial Banks	13.9	0.7%
Perusahaan Gas Negara	Indonesia	Gas Utilities	13.8	0.7%
Charoen Pokphand Foods	Thailand	Consumer Staples	13.1	0.7%
Marsh & McLennan	United States	Insurance	12.4	0.6%
BNP Paribas	France	Commercial Banks	11.5	0.6%
BG Group	United Kingdom	Oil Gas & Consumable Fuels	11.0	0.6%
Malayan Banking	Malaysia	Commercial Banks	10.7	0.5%
Accenture	United States	IT Services	10.3	0.5%
Melrose Industries	United Kingdom	Machinery	10.3	0.5%
SNAM	Italy	Gas Utilities	10.1	0.5%
Bank Rakyat Indonesia	Indonesia	Commercial Banks	10.0	0.5%
Apache	United States	Oil Gas & Consumable Fuels	10.0	0.5%
Allianz	Germany	Insurance	9.9	0.5%
ARM Holdings	United Kingdom	Semiconductors & Semiconductor Equipment	9.9	0.5%
Baidu	China	Software and Services	9.6	0.5%
Verizon Communications	United States	Diversified Telecommunication Services	9.6	0.5%
Power Assets Holdings	Hong Kong	Electric Utilities	9.5	0.5%
Amcor	Australia	Containers & Packaging	9.0	0.5%
VTECH Holdings	Hong Kong	Communications Equipment	9.0	0.5%
Metropolitan Bank & Trust	Philippines	Commercial Banks	8.6	0.4%
SoftBank	Japan	Wireless Telecommunication Services	7.8	0.4%
Housing Development Finance	India	Thrift & Mortgage Finance	7.7	0.4%
Lottomatica	Italy	Hotels Restaurants & Leisure	7.0	0.4%
BEC World	Thailand	Media	6.9	0.3%
BPZ Resources (Conv. Note 6.5%:2015)	United States	Energy	6.8	0.3%
M1	Singapore	Wireless Telecommunication Services	3.6	0.2%
Fook Woo Group Holdings	China	Household and Personal Products	0.3	0.0%

Funds as at 31 December 2012

Fund	Country of listing	Sector	Value £m
Alliance Trust Monthly Income Bond Fund	United Kingdom	Collective Investment	169.6
Alliance Trust Global Thematic Opportunities Fund	United Kingdom	Collective Investment	164.1
Alliance Trust Dynamic Bond Fund	United Kingdom	Collective Investment	51.0
Alliance Trust European Equity Fund	United Kingdom	Collective Investment	48.6
Alliance Trust North American Equity Fund	United Kingdom	Collective Investment	45.2

Other Assets as at 31 December 2012

Investment	Country of listing	Value £m
Private Equity	United Kingdom/Europe	41.9
Subsidiaries	United Kingdom	122.4
Property	United Kingdom	9.1
Mineral Rights	North America	8.9

A full portfolio listing, similar to that displayed above, will be available on a monthly basis on our website at <http://investor.alliancetrust.co.uk/ati/investorrelations/holdings.jsp>



£1.9bn

value of investments under management and advice, a 248% increase

£1.2bn

value of new business from deal with Aviva Investors

75%

of the funds under management and advice were in the 1st or 2nd quartile of their peer group over the year

Alliance Trust Investments was founded to use the investment skills of our managers and to create a business managing third party assets which would generate value for the Trust. We have made progress this year through the significant increase in third party assets under management and advice and have in 2012 taken a meaningful step towards achieving profitability.

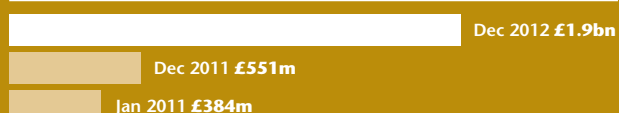
In August, we entered into an agreement with Aviva Investors under which we engaged a team of specialist Sustainable and Responsible Investment (SRI) managers. After the year end, we assumed the management of £1.2bn of third party assets in SRI funds which we had advised on during the second half of the year. The Sustainable Future Fund range is invested across equities and fixed income.

Following the restructure of the Trust's investment team we reviewed our range of funds, and closed three where we felt that they would be unable to attract sufficient third party investments to be profitable. We launched a new fund, the Dynamic Bond Fund, which uses a target return strategy investing in a full range of bonds as well as bond derivatives. The strategy was developed specifically to address the needs of the UK institutional investor and discretionary fund managers. We consulted with a number of leading market participants as we recognise the challenges faced by the institutional market in times of low yields, high volatility and elevated potential for economic collapse to occur.

We have increased the availability of our funds through reaching agreements with fund platforms to extend their distribution. Alliance Trust Funds are now available on six of the top nine retail platforms in the UK market.

We are beginning to attract greater interest from institutional investors. After the year end we entered into two investment management agreements with institutional investors for almost £50m of assets.

Assets Under Management and Advice



Third Party Assets Under Management and Advice



Key Strengths

We have a number of key strengths which position us well in the market.

- Investment Managers – we have a team of experienced and specialist investment managers who, between them, have previously managed significant third party assets at leading investment houses.
- Investment Performance – five of our funds were top quartile performers over the year and the Monthly Income Bond Fund ended the year as the best performing fund in its sector.
- Investment Choice – we have a wide range of funds available to suit both institutional and retail investors.

Strategy

- We will become established as a leading specialist fund manager focusing on SRI, global equities and fixed income.
- We will build a balanced business through both wealth managers and institutions.
- We now have a more substantial range of funds and, with our expanded team, will be recognised as one of the top SRI managers in the European market.
- We will look for opportunities to grow our business through appropriate strategic partnerships where they are consistent with our own culture and values.

Outlook

Although the business was launched in 2009, market conditions since then have extended our start-up period. The significant increase in assets under management and advice during 2012 will flow through to higher revenues from 2013. We continue to consider additional options to accelerate our path to profitability.

Financial Performance

Net revenue

Alliance Trust Investment's 111% increase in net revenue was due to five months of fees from the SRI advisory assets commencing August 2012, £0.5m performance fees (13% of net revenue), fees from £203m seed capital invested by Alliance Trust in newly launched ATI funds (Global Thematic Opportunities Fund and Dynamic Bond Fund) and fees from Alliance Trust's investment in the ATI Monthly Income Bond Fund.

Average third party basis points

The average 43 basis points earned on third party revenue reflected the bias of the portfolio towards fixed income funds, where typically management fees are lower, during the year prior to the transfer of the SRI advisory assets.

Expenses

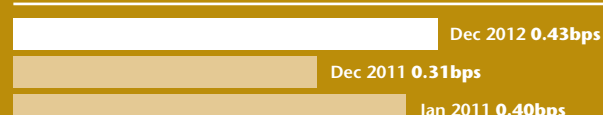
Expenses increased by an annualised £3.2m. The increase was due in part to the one-off acquisition costs of the SRI funds and the additional recurring running costs of that team.

Net assets

During the year Alliance Trust invested £10m in the business reflecting the additional capital required to support the larger assets under administration and advice following the SRI assets transfer.

	2012 £m	2011 £m
Net Revenue	3.8	1.8
Expenses	10.4	6.6
Operating loss	(6.6)	(4.8)
Net assets	8.6	1.8

Third Party Average Net Revenue



Third Party Net Revenue





£4.1bn

assets under administration
an increase of **21%**

Alliance Trust Savings has been simplified and is now well positioned to perform profitably throughout 2013. We completed a programme of transformational change which included the disposal of its SSAS business and, after the end of the year, its Full SIPP business.

The platform business made strong progress during the last year with assets under administration increasing by 21% and representing a 4% share of the direct client market.

Alliance Trust Savings is now in an excellent position to expand its platform business and capitalise on the opportunities in a market anticipated to see significant growth over the next five years. We have already witnessed such growth in Australia and the US, where the platform markets are more mature.

386,767

number of trades during the year,
an increase of **10%**

Additionally, the advent of the Retail Distribution Review (RDR), which will bring in transparent charging for advice and platforms, plays directly to the strengths of Alliance Trust Savings as it becomes increasingly known as a champion of pricing transparency and as one of the few platforms where customers can access funds with low management charges. We plan to promote these benefits through a significant advertising and marketing campaign in 2013 targeted at the intermediary channel which currently represents around 10% of business inflows. This will become a key area of focus for Alliance Trust Savings as we seek to exploit the opportunities in this channel.

The Alliance Trust Savings proposition is to offer a high quality trading platform for direct and intermediary clients, which delivers value for money together with award winning service.

£0.4m

loss generated on continuing
operations in the year, against a
loss last period of **£2.3m**

Continuing Operations

Assets under Administration

	Dec 12	£4.1bn
	Dec 11	£3.3bn
	Jan 11	£3.2bn

Revenue

	Dec 12	£9.6m
	Dec 11	£6.9m
	Jan 11	£6.9m

Key Strengths

We have a number of key strengths which position us well in the market.

- Fixed Fee pricing – we have a simple fixed fee structure.
- Investment Choice – we have one of the broadest ranges of investments in the platform market.
- Quality of Service – we have won a number of service level awards during the year.
- Alliance Trust – we have the backing of a strong parent independent of banks and life company product providers.
- Retail Distribution Review – we already offer transparent pricing.

Strategy

- The key drivers for the business are customer account numbers and trading volumes, our strategy is to grow both over the coming years by a continued focus on our customer proposition.
- To continue to automate and simplify the business to improve efficiencies.
- To enhance our Intermediary proposition to position ourselves as the leading secondary platform in the market.

Outlook

The Platform business is well placed to exploit emerging market opportunities to grow the business, resulting in the delivery of increasing profits and value to shareholders.

Financial Performance (continuing operations)

Revenue

Revenue increased 39% reflecting the increase from non-interest income following the introduction of quarterly charges on the Investment Dealing Account from August 2012, higher platform SIPP charges, 6% growth in customer account numbers and a 10% increase in dealing volumes. Net interest income, which now accounts for only 27% of revenue, remained flat at £2.6m despite an increase in average customer deposits reflecting the reduced deposit rates paid by banks.

Expenses

Expenses remained broadly flat compared to the prior period despite the increased cost of regulatory compliance. Savings achieved during the year were reinvested to ensure that business operations were scalable for future growth.

Net assets

During the year Alliance Trust invested £2m in ATS.

Continuing operations*	2012 £m	2011 £m
Revenue	9.6	6.9
Expenses	(10.0)	(9.2)
Operating loss	(0.4)	(2.3)
Net assets	18.8	17.1
Core Tier 1 Ratio	20.7%	17.8%
Total Capital Ratio	27.6%	25.4%

* Excluding the revenue and expenses relating to the SSAS business, which was sold during the year, and the Full SIPP business which was sold shortly after the year end.

Number of Trades

	Dec 12	386,767
	Dec 11	350,717
	Jan 11	356,205

Customer Accounts

	Dec 12	74,231
	Dec 11	70,186
	Jan 11	63,547

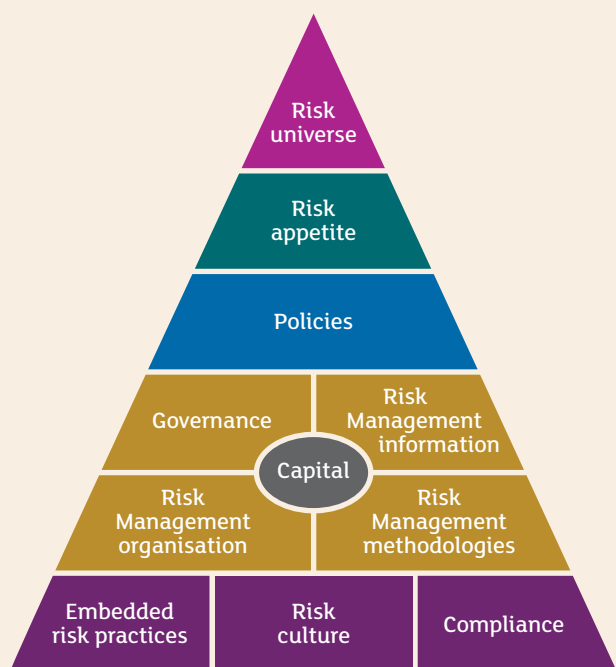
Risk Factors

The Company's risk management strategy is to identify events and scenarios that may impact the business and to manage these within the risk appetite set by the Board.

Risk Management Framework

Primary responsibility for oversight of the Group's Risk Management Framework which is shown below rested with the Risk Management Committee (formerly the Risk Committee) which is chaired by the Finance Director and comprises representatives from Alliance Trust and each of its regulated subsidiaries. The Risk Management Framework is designed to ensure that the key risks facing the Group are identified, monitored, assessed and controlled. There is clear ownership and accountability for the day to day management of risk across the Group with risk management practices embedded within business operations.

For 2013 we decided to enhance the level of scrutiny applied to risk within the business by establishing a Board Risk Committee to focus on the oversight of the risk management framework.



Principal risks

Strategic Risks

Building investment credibility is dependent on the performance of the portfolio.

The ability to pay a steadily increasing dividend depends upon portfolio structure and income generation.

The Trust may borrow money for investment purposes. If the investment falls in value, any borrowings will magnify the extent of this loss. Borrowing facilities may not be renewed.

A lack of understanding of the Trust and its objectives could lead to a lack of demand and a widening of the discount to Net Asset Value.

Market Risks

The Trust currently invests primarily in equities and in fixed income securities and its principal risks are therefore market related and include counterparty and market risk (currency, interest rate and other price risk). An explanation of these risks is included in note 23 on pages 77 to 84.

Over the counter derivatives are used in the fixed income funds managed by Alliance Trust Investments both for efficient portfolio management and for investment purposes.

Operational Risks

One of the key risks to which all investment trusts/asset management firms are exposed is operational risk. The operational risks to which the Group is exposed include:

Loss of key personnel; business continuity; management of third parties/suppliers; fraud and other criminal acts; conflict of interest; processing failures, including administration/dealing errors and breach of investment mandates; the number of significant business change initiatives and the volume of regulatory change.

Legal, Regulatory & Disclosure risks

The Financial Services sector continues to experience significant regulatory change at national and international levels.

The FSA will split into the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) in 2013. Risks include uncertainty over roles and responsibilities and the likelihood for increased costs.

Mitigation

What we did in 2012

The performance of the Trust and the income derived from investments is regularly reported and monitored.

Compliance with investment risk parameters and policies is monitored and regularly reported.

Borrowing levels and facilities require the prior approval of the Board. Debt levels are regularly monitored and reported. Borrowing commitments are with different banks and with different maturity dates. The majority of the Trust's investments are in quoted equities that are readily realisable.

The Trust's investment strategy has been widely communicated. Meetings are also held with key institutional shareholders.

- Portfolio restructured with four regional equity portfolios amalgamated into the global equity portfolio and number of equity holdings reduced to around 100.
- Appointed Head of Performance & Investment Risk to oversee and develop the investment performance and risk management model.

The Asset Allocation Committee meets quarterly to oversee the allocation of capital between and among the asset classes approved by the Board.

Exposure to market risk is assessed through stress and scenario testing of the Group's portfolios.

Counterparty/concentration limits are in place for all financial instruments including bank deposits.

The Group's Research Centre supports the management of market risks by providing analysis of economic and socio-economic issues.

- Stress tests undertaken considering extreme market movements in equity markets, bond prices, interest rates, commodity prices and foreign exchange rates.
- Developed and implemented formal, documented processes for risk management of derivative investments.

The risk management framework seeks to identify and mitigate key risks. Policies have been implemented to manage key person risks. Continuity of Business plans are maintained. The supplier management framework controls risks from significant third party service providers. The Group operates an anti-financial crime policy and controls to minimise exposure to fraud, money laundering and market abuse. Segregation of duties and oversight of controls mitigate against the risk of conflict of interest and process failures.

Project management disciplines are employed with reporting to management committees.

- Further enhancement of reporting of key risks and effectiveness of the control frameworks and refinement of group risk appetite statements.
- Risk Management Committee terms of reference expanded to include investment risks.
- Risk Management Committee strengthened with Chief Investment Officer and new Head of Performance and Investment Risk becoming members.
- Continuity of Business plans extended to include plans to manage a crisis resulting from Euro zone failures.
- External review of IT security.
- Effective oversight of major initiatives including transfer of SRI funds and team from Aviva (completed February 2013) and sale of SSAS business (completed June 2012) and Full SIPP business (completed January 2013).

The Group maintains a forward radar of forthcoming regulatory changes. Preparedness for implementation of regulatory change is assessed by the Risk Management Committee.

We have system based controls and monitoring systems to ensure compliance with relevant regulations. Breaches are reported to the Audit Committee and Board.

- Dedicated resource allocated to monitoring and management of regulatory forward radar.
- Monitoring plans developed using a risk based approach approved by the Audit Committee.
- Prudential and Conduct Risk strategies developed reflecting changes in the supervisory structure.

Corporate Responsibility



“In this section of the report we report on our approach to our investors, customers, employees, the wider community and the environment. In addition to delivering long-term, consistent and strong investment performance, in order to achieve our vision of being the UK’s most trusted investment and savings business, we must operate in a sustainable way, taking into account the interests of our other stakeholders. We have set priorities for each of these groups, as outlined below.”

Katherine Garrett-Cox

Marketplace – meeting the expectations of our investors and customers

Our priorities are:

- To consider all of the risks, including non-financial and reputational risks, when we take investment decisions
- To offer competitive products in which our customers can invest with a clear understanding of the likely risks and returns.

Alliance Trust PLC and Alliance Trust Investments are signatories to the Stewardship Code and also to the UN Principles for Responsible Investment. Together these set out a framework within which investors can take account of environmental, social and corporate governance issues in their day-to-day activities. Our stewardship policy, which explains how we meet the provisions of the Code, and details of our voting activity is published on our website.

Our policy is to vote whenever practicable – in most cases we support management but we will engage with management and ultimately vote against their recommendations where we believe that the proposals are not in shareholders’ interests.

During the year we voted as follows:

In favour of management recommendations	129
Against management recommendations	5

Votes against management were mostly in respect of US companies and in favour of an independent chairman, against an individual executive director’s compensation and in favour of shareholder proposals on appointment of Board members.

We engage with our own shareholders, not only at the time of our AGM but also throughout the year, meeting both institutional and individual shareholders on a regular basis to explain company performance and developments. We also publish monthly factsheets giving additional information on current performance and portfolio structure.

Alliance Trust Investments and Alliance Trust Savings offer straightforward and fairly-priced investment and savings vehicles. Our commitment to customer service was recognised when Alliance Trust Savings won the Shares Award 2012 for best customer service.

To remove the risk of undue influence and bias which might adversely affect the interests of investors and customers, we have adopted a policy on conflicts of interests, information on which is available on our website. Our employees are also subject to a Code of Business Conduct, setting out the behaviours we expect of them, and rules on the giving and receiving of gifts and hospitality.

Workplace – providing an environment in which our employees can realise their full potential

Our priorities are:

- To maintain a safe and discrimination-free working environment
- To offer all employees opportunities to learn and develop new skills for the benefit of the Company and themselves.

We aim to ensure the safety of our employees through a health and safety management framework comprising a health and safety policy which is communicated to all staff, clear allocation of responsibilities, regular risk assessments to ensure that proper controls are in place, recording of accidents and “near misses”, and an annual audit of compliance.

Our employees are entitled to work in an environment which promotes diversity and removes the threat of discrimination both at the time of recruitment and throughout their time with the Company. We enforce this through clearly-communicated policies and procedures, with sanctions for non-compliance. These policies ensure that we meet our responsibilities to disabled employees. Where employees have concerns which they are unable to discuss with their own manager, we operate a confidential whistleblowing facility.

We are committed to involving our employees in the progress of the Company. In addition to team meetings where matters specific to individual business areas are discussed, we regularly hold all-company briefing sessions to report on company performance and future plans for the business. For 2013 we are relaunching our intranet to give our employees better access to information about the Company. Since 2001 Alliance Trust has operated an All-Employee Share Ownership Plan, allowing employees to receive an allocation of free shares each year based on the Company’s performance once they have been employed for at least six months. The average number of shares in the Company held by our employees is over 4,400.

Community – playing our part to support the wider community

Our priorities are:

- To support the disadvantaged, particularly young people, in our local community
- To promote a sense of responsibility in our own employees.

During 2012 we sponsored the Alliance Trust Cateran Yomp for a second year. This 52 mile team event based on the

Cateran Trail in Perthshire and the Angus Glens attracted 400 participants, double that of the 2011 event, including 48 employees. The event raised more than £370,000 through sponsorship and entry fees and the proceeds were distributed between ABF the Soldiers’ Charity, Youth Business Scotland (part of the Prince’s Trust) and the Alliance Trust staff foundation. In addition to participating, employees undertook a variety of fund-raising activities for the event raising a total of £27,000 which was matched by the Company.

We also continue to encourage employees to undertake volunteering activities. During 2012 a total of 14 days were spent by employees at the Brae Dundee Riding Ability Centre.

Environment – managing the impact of our direct operations on the environment

Our overarching aim is to minimise our environmental footprint.

During 2012 we continued to work towards ISO 14001 accreditation at our Head Office in Dundee, undertaking initiatives to minimise office energy consumption and business travel and to improve our environmental data recording.

The following outcomes were achieved during the year;

- An absolute reduction of approximately 5.9% (or 50 tonnes CO₂e) in our carbon emissions
- Reductions in electricity consumption at Head Office of 2.6%
- Reduction in overall air travel of 12%

Carbon footprint report

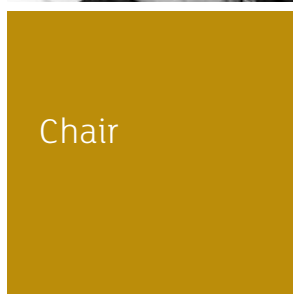
Alliance Trust’s carbon footprint has been estimated in line with the WRI/WBCSD Greenhouse Gas Corporate Accounting and Reporting Standard (GHG Protocol) and Defra guidelines.

Scope (tonnes CO ₂ e)	2012	% Change
Scope 1: Gas, fuel oil, petrol, refrigerant	166	-4.8%
Scope 2: Electricity	486	-3.0%
Scope 3: Business travel	247	-11.7%
Total	898	-5.9%
Tonnes CO₂e per employee	3.36	-3.1%

Source: Corporate Citizenship
Scope 1 and 2 excludes property investments.

Directors

- Member of the Audit Committee
- Member of the Remuneration Committee
- ▲ Member of the Nomination Committee
- Member of the Board Risk Committee



1 Karin Forseke ▲ Chair

Joined the Board 2012

Karin Forseke studied Economics, Sociology and Marketing before moving into financial services in the US and then in London. She served as Chief Operating Officer of London International Financial Futures Exchange, (LIFFE), and then joined D Carnegie & Co AB becoming its Chief Executive Officer.

She was a Non-Executive Director of the Financial Services Authority (FSA) from December 2004 until July 2012 serving as its Deputy Chairman and Chairman of its Audit, Remuneration and Non Executive Directors committees.

She serves as a Non-Executive Director of Wallenius Lines and is a Board member of the European Council on Foreign Relations (ECFR).

Her wide experience of the financial services sector and more recently from a regulatory perspective complements those of the other Directors. Combined with her broad geographic, economic and political knowledge she is equipped with the required level of skills and understanding to provide constructive challenge across the group and to lead the Board.



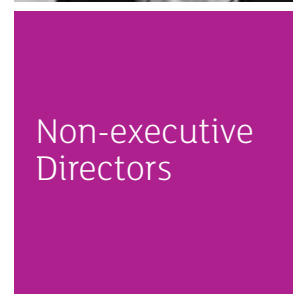
2 John Hylands ● ▲ □ Director

Joined the Board 2008
Chairman, Audit Committee

John Hylands graduated with a BSc in Mathematics from the University of Glasgow. In his career with Standard Life he held various actuarial, finance and management positions including serving as Finance Director.

He is a member of the Aviva UK Life With Profits Committee and is a Non-Executive Director of the Board of Ecclesiastical Insurance Group. He also chairs the trustees of the Standard Life and BOC pension schemes.

His qualification as an actuary and subsequent experience in senior roles in the financial services sector enable him to apply a rigorous and analytical approach, in particular in his role as Chairman of the Audit Committee.



3 Susan Noble ● ■ □ Director

Joined the Board 2012
Chair, Board Risk Committee

Susan Noble graduated with a BA in History from the University of Manchester and later completed an MBA at the Manchester Business School.

She was a European equities portfolio manager at Robert Fleming Asset Management and rose to become Director and the Senior European Portfolio Manager of The Fleming Continental European Investment Trust. She then joined Goldman Sachs Asset Management and held the roles of Head of European Equities, Head of Global Equities and was appointed a Managing Director.

She is currently a Non-Executive Director of British Empire Securities and General Trust and member of the National Finance Committee of Mencap.

With her asset management background together with her experience as a Non-Executive Director of another investment trust she has a good understanding of the opportunities and challenges facing the Company.



4 Alastair Kerr ▲ ■ □
Senior Independent Director
 Joined the Board 2012
Chairman, Remuneration Committee

Alastair Kerr graduated with a BA (Hons) in History from the University of Glasgow.

He has an extensive career in the retail sector initially with Marks and Spencer before moving to Storehouse where he held various senior executive roles. He subsequently went on to hold the roles of Chief Executive, Virgin Retail Europe, Group Chief Executive of Park Group, Managing Director of Kwik-Fit and Managing Director, EMEA, of The Body Shop International.

He is currently a Non-Executive Director of the brewing company, Fuller, Smith & Turner, where he is also the Chairman of the Remuneration Committee, Havelock Europa where he is also Chairman of their Remuneration Committee, and of White Stuff, the clothing retailer. He is also Chairman of Drilton, a private holding company, and a Trustee of the Body Shop Foundation.

Having worked in retail environments with a strong customer focus this gives him the ability to bring a different perspective to Board discussions and he can offer challenge based on his extensive experience.



5 Win Robbins ● ■
Director
 Joined the Board 2013

Win Robbins trained as a bond dealer. Her first senior role was as a Division Head of Corporate and Convertible Bonds for Morgan Grenfell. She had a period in Tokyo as the Head of Derivative Trading with Smith New Court before returning to the UK to join Credit Suisse Asset Management where she went on to hold the role of Head of European Fixed income.

Since then she has held senior roles as Head of European Fixed Income at Barclays Global Investors, Head of non-US Fixed Income at Citigroup Asset Management and Head of European Fixed Income at Credit Suisse Asset Management and as Non-Executive Chair of the Investment Committee at MaxCap LLP.

Win is a Non-Executive Director of City Merchants High Yield Trust, a Non-Executive member of the Investment Committee of St James's Place Partnership and a Trustee Director of NOW:Pensions Trust.

Her extensive experience in the investment management sector, particularly in Fixed Income, will be especially valuable to Alliance Trust.



6 Katherine Garrett-Cox
Chief Executive
 Joined the Company as Chief Investment Officer in 2007. Appointed Chief Executive in 2008

Katherine Garrett-Cox graduated with a BA (Hons) in History from the University of Durham and is a member of the UK Society of Investment Professionals, CFA Institute.

She has worked in financial services for more than 23 years and sits on the Supervisory Board of Deutsche Bank AG. She is also a founder member of the Advisory Council of The CityUK and a member of the Prime Minister's Business Advisory Group.

In her role she is responsible for both the investment policy and asset allocation of the Company as well as executive oversight for the business.

Her hands-on fund management experience, combined with senior leadership roles in major investment houses and a commitment to the development of the next generation of business leaders, give her the necessary skills to lead the Company and to evolve its strategy for future growth.



7 Alan Trotter
Finance Director
 Joined the Board 2010

Alan Trotter graduated with a BAcc (Hons) in Accountancy from the University of Glasgow and with an LLB from the University of London.

He qualified as a chartered accountant with Ernst & Young working in both the UK and Hong Kong. He held senior finance roles with Standard Life, Standard Life Bank and Royal Bank of Scotland before moving to Legal and General where he was Group Corporate Development Director with responsibility for the central finance function. He is a member of the University of Edinburgh Audit Committee and of the Financial Reporting Review Panel.

His technical and analytical skills, gained both in professional practice and subsequently in several major financial services businesses, equip him well to lead the finance and control functions and to contribute to the shaping of the future strategy for the business.

Executive Directors

Corporate Governance

“This section of the Report explains how we manage the Company and the way in which the practices and principles which we have adopted contribute to good governance and to promoting the delivery of the key priorities of the business. We explain how our Company is structured and how we operate at both Board and Committee levels and the changes we have made to these arrangements in the course of the year. We give examples of the actions we have taken during the year and how we mitigate risk to our shareholders.

Good governance is something we stress and like to see exhibited in the companies in which we invest. We have adopted the Stewardship Code and the UN Principles for Responsible Investment.

We report here on how we have complied with the UK Corporate Governance Code issued in June 2010 and also certain provisions of the September 2012 edition which will apply to our 2013 Annual Report. We also comply with the principles of the AIC Code of Corporate Governance issued in October 2010.”

Karin Forseke, Chair

The Board

The Board sets the long-term objectives of the Company and approves its business plans and strategic direction. It is responsible for ensuring that there is in place a framework of prudent controls to enable risk to be managed effectively. It provides leadership and reviews business performance.

Details of the Board members can be found on pages 28 and 29.

Board Structure

Each Director brings different skills and experiences to the Board and these are outlined on pages 28 and 29. The Chair was considered independent upon appointment and none of the Non-Executive Directors has had a previous relationship with the Company. The Non-Executive Directors take no part in day to day management of the Company and are all considered to be independent.

None of the Non-Executive Directors held a concurrent executive role and they have all confirmed that they have sufficient time available to carry out their duties.

As outlined in the Chair's report the membership of the Board changed during the year. The following Directors held office during the year:

Name	Designation	Appointed	Resigned
Lesley Knox	Chairman	15/06/01	02/04/12
Karin Forseke	Chair	01/03/12	
Katherine Garrett-Cox	Chief Executive	01/05/07	
Christopher Masters	Senior Independent Director	15/11/02	31/12/12
Hugh Bolland	Non-Executive Director	01/07/07	27/04/12
Consuelo Brooke	Non-Executive Director	25/11/11	29/08/12
Robert Burgess	Executive Director	21/09/09	09/02/12
John Hylands	Non-Executive Director	22/02/08	
Timothy Ingram	Non-Executive Director	24/09/10	27/04/12
Alastair Kerr	Non-Executive Director	01/10/12	
Susan Noble	Non-Executive Director	11/07/12	
Alan Trotter	Executive Director	01/02/10	

After the end of the year we appointed Win Robbins as a Non-Executive Director.

As part of our review of governance arrangements during the year we decided that we wished to strengthen governance by introducing greater separation between the roles and responsibilities of the various Boards and Committees. This meant a move away from the attendance of the Non-Executive Directors of the Company at all meetings

of the boards of the subsidiary companies, although they will still do so on a bi-annual basis. It was decided that the boards of the subsidiaries would comprise only management and that the main Board Committees would become smaller in order to provide greater challenge and more focus. Before making this change we put in place arrangements to ensure that the Board of the Company must endorse all decisions on strategic matters or where there could be a group impact and that there was regular reporting of the subsidiaries' boards' activities to the Board of the Company. This is achieved through the inclusion of the minutes of their board meetings and relevant management information in the Board papers together with regular presentations from the management of each of the subsidiaries on progress against their business plans and objectives.

Across the Group the governance framework is based on a "three lines of defence" model:

First Line: The various operational and management committees

Second Line: Risk, Compliance, Company Secretarial/Legal and Finance

Third Line: Internal Audit and Audit Committee

Details of the Committees on which the Directors sit can be found on pages 28 and 29 together with details of the Chair of each Committee and the Senior Independent Director. The Non-Executive Directors meet during the year to discuss management succession and other matters in the absence of Executive Directors.

The responsibilities of the Chair are set out in writing and distinguish the role from that of the Chief Executive.

The activities of the Board and the Committees during the period can be found on page 35.

In addition to the KPIs reported on pages 4 and 5, the Board also considers a range of other indicators of performance. These include both financial measures such as investment allocation and performance attribution but also non financial indicators such as people development.

The Board delegates certain decisions to committees comprising Non-Executive Directors, Executive Directors or a combination of these and management as explained in more detail on page 32 and 33.

The areas of decision making that the Board has reserved to itself are:

- investment strategy and policy
- new subsidiary businesses, joint ventures and other arrangements
- approval of treasury policies, banking counterparties and counterparty exposure limits

- Group borrowing limits and the maximum amounts and nature of new bank borrowing facilities
- major contracts
- asset classes in which any Group company may invest
- derivative instruments which any Group company may use
- material changes to gearing and the percentage mix of asset allocation by class and geography
- major changes in employment and remuneration structures
- political and charitable donations
- any material litigation or civil proceedings

The boards of its subsidiaries are required to seek endorsement from the parent Board for any strategic decisions including:

- business plans and annual budgets
- approval of directors and officers
- acquisition or disposal of part of any business
- launch of new or material changes to existing funds or products
- significant contracts

Through the matters reserved to the Board, the powers of individual Directors are restricted to the extent necessary to ensure good governance.

Board Meetings

Last year the Board operated to a timetable which involved meeting six times a year but on each occasion structured over two days. This allowed more time for the Directors to get a better and more in-depth insight into the operation of all parts of the Group and to make greater contact with management below Board level. In the course of the year we have reviewed this meeting pattern and will continue to hold our meetings over two days but will hold the subsidiary board meetings at different times from those of the Company and the Committees may also meet on separate occasions.

The Company Secretary, Donald McPherson, attends all Company Board meetings and is responsible for advising the Board on matters of corporate governance and legal compliance. The Directors always have access to the Company Secretary for information and assistance as required.

Attendance of the Directors at scheduled Board and Committee meetings is provided in the table overleaf. In addition, the Board and Committees met on a number of other occasions to consider matters arising between the scheduled meetings.

Corporate Governance

Meeting Attendances Director	BOARD		AUDIT		REMUNERATION		NOMINATION	
	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Karin Forseke	5	5	-	-	-	-	1	1
Lesley Knox	2	2	-	-	-	-	1	1
Katherine Garrett-Cox	6	6	-	-	-	-	2	2
Christopher Masters	6	6	2	2	4	4	2	2
Hugh Bolland	2	3	1	2	2	3	1	1
Consuelo Brooke	4	4	3	3	3	3	2	2
Robert Burgess	1	1	-	-	-	-	-	-
John Hylands	6	6	4	4	4	4	2	2
Timothy Ingram	3	3	2	2	3	3	1	1
Alastair Kerr	1	1	-	-	-	-	-	-
Susan Noble	3	3	2	2	1	1	1	1
Alan Trotter	6	6	-	-	-	-	-	-

Board Committees

The three committees reporting to the Board during the year were:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Terms of Reference of each of these Committees have been reviewed and updated in the course of the year. Copies of the Terms of Reference of the Committees can be found on our website www.alliancetrust.co.uk. Following the end of the year the Board also decided to constitute a Board Risk Committee.

Audit Committee

The members are shown on pages 28 and 29.

The Board is satisfied that John Hylands has recent and relevant financial experience. The work of the Committee during the year is explained in the Accountability and Audit section of the report on pages 45 to 47.

Remuneration Committee

The members are shown on pages 28 and 29.

The work of the Committee during the year is explained in the Directors' Remuneration section of the report on pages 36 to 43.

Nomination Committee

The members are shown on pages 28 and 29.

Board Risk Committee

After the end of the period the Board formed a Risk Committee, the members of which are shown on pages 28 and 29.

Other Committees

Various other committees have been established which include Executive Directors and other senior managers. The following are the major executive committees. All have terms of reference and are attended by the Company Secretary or his nominee to ensure good governance is followed and decisions properly recorded:

Asset Allocation Committee

This Committee, which meets on a quarterly basis or more often if required, comprises the Chief Investment Officer, the Head of Global Equities and the Head of Fixed Income. The Finance Director also attends its meetings.

Executive Committee

This Committee, comprising the Chief Executive and senior management, is the main executive committee providing leadership, oversight and communication across the Group.

Risk Management Committee (formerly the Risk Committee)

This Committee comprises the Finance Director, Chief Investment Officer and the senior managers who oversee and review the control, monitoring and reporting framework and related procedures for risk management. The work of the Committee is covered on pages 24 and 25.

Authorisation Committee

This Committee, comprising the Executive Directors and other senior managers, considers and approves changes to signing authorities, approval of banking arrangements, appointment of brokers and approval of other administrative arrangements.

Nomination Committee

The Committee is responsible for ensuring that there is planned succession, so far as possible, at Board level and for ensuring the proper composition of the Board in terms of skills, knowledge, experience and diversity is maintained. We have not adopted a policy or target for diversity but will continue, as we have in the past, to appoint the best qualified person for the job regardless of their background, gender or other differences. The table below shows the split as at the end of year between men and women across different categories of employees and how that compares to the same point last year.

	December 2011		December 2012	
	Female	Male	Female	Male
Board	3 (33%)	6 (67%)	3 (43%)	4 (57%)
Senior Managers and above	12 (22%)	42 (78%)	13 (24%)	42 (76%)
All staff	136 (52%)	123 (48%)	130 (50%)	131 (50%)

As reported last year Karin Forseke was appointed as the Chair of Alliance Trust PLC following an external search led by the Senior Independent Director who acted as the Chairman of the Nomination Committee for this purpose, with the assistance of the Zygos Partnership, a firm specialising in board-level appointments. The Zygos Partnership has no other connection with the Company. Her appointment as a Non-Executive Director was approved by the Board of the Company on 4 January 2012 and confirmed by the shareholders at the Annual General Meeting of the Company held on 27 April 2012. She became Chair on 2 April 2012.

During the year the Committee recognised the need to increase the level of fund management and consumer focused experience among the non-executive directors. As a result of a search undertaken by Russell Reynolds Associates and appropriate due diligence the Board, on the recommendation of the Nomination Committee, appointed Susan Noble and Alastair Kerr as Non-Executive Directors. Russell Reynolds Associates has no other connection with the Company.

Board and Committee evaluation

Each year the Board reviews its own performance, and also the performance of its committees and individual Directors. In every third year the evaluation is carried out with the assistance of an external facilitator. This year the review was carried out with external assistance from Independent Audit which has no other connection with the Company.

The evaluation was interview based and focused on the Board and how its committees support it. Despite a period of substantial change in both the composition and the governance structure of the Board, Independent Audit's overall assessment was that the Board had made good

progress in 2012 and did not suggest any substantial changes nor identify any high priority issues to be addressed. A number of actions were identified that could further improve the effectiveness of the Board including the wider use of scenario planning in its consideration of strategy and risk; making more use of the Non-Executive Directors outside of board meetings and a refinement of the structure of board reports to provide greater clarity of purpose.

The Senior Independent Director led the evaluation of the Chair's performance, which was the subject of discussion at a meeting of the Non-Executive Directors at which the Chair was not present. The evaluation confirmed that the Chair was effective in her role.

Re-election of Directors

Details of the current directors can be found on pages 28 and 29. Susan Noble and Alastair Kerr, both of whom were appointed during the year, together with Win Robbins who was appointed following the year end, fall to have their appointment confirmed by shareholders at the Annual General Meeting.

The Board has decided that in line with the UK Corporate Governance Code all of the Directors will be subject to re-election every year. Therefore the remaining directors will stand for re-election at this meeting.

The individual performance of each Director and their ongoing suitability for election or re-election was considered and endorsed by the Nomination Committee. All are recommended for election or re-election at the forthcoming Annual General Meeting. Each of our Directors has confirmed that they remain committed to their role and have sufficient time available to meet what is expected of them.

Directors' and Officers' Indemnification

The Company provides insurance (maximum payable £22m in aggregate) for legal action brought against its Directors as a consequence of their position. In addition separate deeds of indemnity have been agreed with each Director indemnifying them as permitted by company law. The indemnity and insurance does not extend to cover claims brought by the Company itself which are upheld by the Courts, nor to criminal fines or penalties.

Director Development

Every new director receives an individually tailored induction. The Board as a whole received updates on corporate governance, risk and business issues during the year.

Conflicts of Interest

The Directors have previously provided details of all interests which potentially could cause a conflict of interest to arise. The unconflicted Directors in each case noted the declarations

Corporate Governance

by the Directors of their other interests and confirmed that at that time none of the interests disclosed were reasonably likely to give rise to a conflict. An annual review of all interests was undertaken as part of the year end process and this was considered by the Board in March 2013. Procedures are in place to allow Directors to request authority should it be required outwith the normal Board meeting schedule.

Access to advice

All Directors have access to independent professional advice if necessary.

Major Shareholders

As at 6 March 2013 the Company had received notifications from shareholders holding an interest in more than 3% of the voting rights of the ordinary shares in issue of the Company as follows:

DC Thomson & Company Limited and John Leng & Company Limited Legal and General	34,850,000 (6.2%)
Investment Management Ltd	17,828,066 (3.2%)
Elliott International, LP, Liverpool Limited Partnership	22,994,253 (4.1%)

The largest shareholder in the Company is the nominee company for Alliance Trust Savings which holds its shares on behalf of over 24,000 clients.

Alliance Trust Savings Nominees Limited	143,538,191 25.6%
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Payment of Creditors

The Group's policy and practice is to pay creditors in accordance with the terms agreed. We are signatories to the Prompt Payment Code. At 31 December 2012 the Company had no trade creditors. The Company's subsidiary undertaking, Alliance Trust Services Limited, which purchases most of the goods and services for the Group and recharges them to the appropriate entity, had trade creditors outstanding at 31 December 2012 representing 21 days of purchases.

Relationship with Shareholders

All Directors attend the AGM where they have the opportunity to meet shareholders. Meetings also take place throughout the year with major and institutional shareholders, such meetings normally being attended by the Chairman or Chief Executive.

In addition to these meetings, the Company hosted an investor forum during the year where individual shareholders were invited to meet Directors and senior managers. Around 240 shareholders, clients of Alliance Trust Savings and their guests attended this meeting.

Relationship with third parties

The Company has no relationships with suppliers or contractors that it considers critical to the business.

Investment Trust Status

HM Revenue and Customs have confirmed that Alliance Trust has investment trust status for all financial periods from 1 January 2012.

Share Capital and Waiver of Dividends

The Company's issued share capital as at 31 December 2012 comprised 561,579,146 Ordinary 2.5p shares of which 1,770,218 have been acquired by the Trustee of an Employee Benefit Trust ('the Trustee') with funds provided by the Company in connection with its employee share plans. The Trustee has elected to waive all dividends payable in respect of those shares. Each Ordinary share of the Company is entitled to one vote but the Trustee does not vote in respect of the shares held by it on behalf of the Company.

In the course of the year the Company acquired and cancelled 31,722,000 shares at a total consideration of £112m. No shares have been purchased since the year end.

There are no preference shares or shares held in treasury.

Agreement in respect of voting rights

There are no agreements in respect of voting rights.

Share Buy Back Authority

At the last AGM the shareholders renewed the authority for the repurchase of up to 14.99% of the issued shares. This authority falls to be renewed at the next AGM. The Company made use of this provision during the course of the year as detailed above. The Company will, as part of the authority being sought, declare its intention that any shares bought back under the authority will be cancelled.

Annual General Meeting

In addition to formal business, the Chief Executive will present on business developments and there will be the opportunity for questions to be put to the other Directors. This year, in addition to the normal business there will be proposals to confirm the notice period for convening general meetings other than Annual General Meetings and to renew the share buy back authority.

During the year the Board and committees considered the following business either in the course of scheduled meetings or at specially convened meetings and conference calls.

Q1	Q2	Q3	Q4
Board			
<ul style="list-style-type: none"> • Appointment of new Chair • Presentation by Corporate Brokers • Reviewed Share Buyback Authority • Approved a change of Index provider for performance reference point from FTSE to MSCI • Board Performance Evaluation • Reviewed ATS Business • Reviewed Banking Facilities • Presentations by European and North American portfolio managers 	<ul style="list-style-type: none"> • Approved changes to Group governance structure • Considered Internal Capital Adequacy • Approved outsourcing investment operations activities • Reviewed business plans of subsidiaries. • Considered the effectiveness of Discount Policy • Approved a new investment approach and structure 	<ul style="list-style-type: none"> • Appointment of two new Non-Executive Directors • Considered the acquisition of Aviva SRI funds • Considered the Pension Scheme triennial valuation • Presentation on Global Economic 3 year scenario • Strategic Review including subsidiaries, business planning, people issues and investor sentiment • Considered Internal Capital Adequacy • Approved the sale of part of ATS pension business 	<ul style="list-style-type: none"> • Brand Review • Alliance Trust Investments Business presentation • Investment Presentation by Head of Performance and Risk and Head of Fixed Income • Approved Budget and 5 Year Business Plan • Approved revised Risk Appetite • Approved revised Corporate Governance framework • Approved the formation of Board Risk Committee
Audit			
<ul style="list-style-type: none"> • Approved pension scheme assumptions • Reviewed the effectiveness of Internal Controls • Approved Audit Charter • Approved Internal Audit and Compliance Monitoring Plan • Received Annual Anti-Money Laundering Reporting Report • Received Auditor's report • Considered the Accounts • Reviewed the Whistleblowing Policy • Separate Private Sessions with Internal and External Auditor 	<ul style="list-style-type: none"> • Considered accelerated year end reporting 	<ul style="list-style-type: none"> • Received Auditor's report • Reviewed Interim Results • Approved External Audit plan • Reviewed operation of Derivatives Procedures 	<ul style="list-style-type: none"> • Considered valuation methodology and accounting treatments • Considered Internal Audit and Compliance Monitoring Plan for 2013
Remuneration			
<ul style="list-style-type: none"> • Reviewed Executive Directors' and other senior managers' remuneration arrangements • Considered the impact of the BIS proposals on executive remuneration and governance • Approved bonus payments for Executive Directors • Approved Remuneration section of the Accounts • Approved Incentives for investment managers 	<ul style="list-style-type: none"> • Approved Executive Directors' targets and objectives • Approved granting of awards under LTIP 	<ul style="list-style-type: none"> • Considered impact of AIFM Directive • Approved changes to equity annual incentive plan for investment managers 	<ul style="list-style-type: none"> • Approved the Company's Pillar 3 disclosures • Approved incentive arrangements for investment managers in relation to third party assets
Nomination			
<ul style="list-style-type: none"> • Re-Election of Directors • Board Composition 	<ul style="list-style-type: none"> • Non-Executive Director Appointment 	<ul style="list-style-type: none"> • Non Executive Directors succession planning • Non-Executive Director Appointment 	

Remuneration Report

“I am pleased to present the remuneration report for the year ended 31 December 2012.

Alliance Trust’s remuneration policies are designed to support the achievement of our business strategy.

As a result of significant improvements in our performance over the past three years the 2010 Long Term Incentive Plan will meet its vesting conditions and will release awards to participants in the plan. The plan aligns the interests of the senior team with that of shareholders as the key measure of success is Total Shareholder Return compared to the peer group.

Alliance Trust has continued with a programme of transformational change in 2012 and key developments have been made within our investment structure and process as explained by the Chief Executive in her review. The Remuneration Committee continues to review the company’s remuneration policies in light of the on-going transformation programme. Given the changes in investment focus during 2012, the Committee approved two changes to ensure the arrangements for investment staff reflect the longer term investment philosophy of the company and that their arrangements are fully aligned with interests of shareholders.

- The introduction of a new annual incentive plan for Investment Staff with rewards now linked to three-year as well as one-year performance; and
- The removal of the flexibility for senior investment staff to defer annual incentives in cash; all deferrals must be made into Alliance Trust shares (as for Executive Directors) or funds within the Alliance Trust range.

We welcome the draft recommendations from the Department for Business Innovation and Skills for greater transparency on Director pay. Our approach will be to provide full and transparent details around our pay structures and their outcomes and we will listen to the views of our shareholders in this area.

As part of our wider transformational programme the company has introduced a new set of values and behaviours in 2012. We recognise the importance of not only “what” we achieve as a Company but “how” we achieve it and going forward we will hold our people to account against the values we set as a business and reward outcomes will reflect both the “what” and the “how” of individual performance.

The Committee would welcome your support for the policies and practices detailed in our report.”

Alastair Kerr
Chairman of the Remuneration Committee

Principle

Base Salary

Base salaries will be targeted at market median for jobs of a similar size and complexity.

Variable Pay

Variable pay forms a significant proportion of executives’ total remuneration package and will be discretionary.

Variable pay is based upon a multi-year framework.

Variable pay comprises:

- **Annual Bonus**
A formal performance management process is in place, which is based on the principle of driving high performance and aligned to the Company’s key performance indicators (KPIs).
- **Long Term Incentives**
Long Term Incentives are designed to closely align the interests of the Executive Directors with those of the shareholders.

Pensions and Benefits

Benefits offered will be targeted at median for comparable role.

Pension provision will be taken into consideration as part of the total remuneration practice.

Risk Adjusted Remuneration

The remuneration packages of Executives will be structured in such a way as to promote sound and effective risk management within the Company’s risk appetite.

Termination Arrangements

Termination arrangements should not reward failure.

Our Approach

Outcome/changes in 2012

Reviewed annually with levels set with regard to responsibilities, level of experience and performance outturns.

No salary increases for Executive Directors in 2012, nor any proposed for 2013.

The Remuneration Committee regularly reviews the proportion of variable pay to annual salary and is satisfied that it is appropriate. The Company operates a combination of annual and three year performance conditions. A proportion of annual awards must be deferred for three years.

Annual review in 2012. No changes identified. Executive Directors will defer at least 50% of their 2012 annual bonus into Alliance Trust shares. For investment professionals all deferrals are made into Alliance Trust shares or funds in the Company fund range and the option to defer into cash has been removed.

Annual bonuses for Executive Directors and Senior Managers are based on corporate and individual objectives and aligned to Corporate strategic objectives. Executive Directors are assessed 50% on Corporate KPIs and 50% on business and personal objectives.

Annual bonuses will be payable in respect of 2012 and will reflect strong delivery of performance in both business and financial targets set.

Full details on the operation of the LTIP can be found on page 40.

No change to target, which was approved by shareholders in 2011.

The key elements of the benefits package for Executive Directors are generally the same as all other employees and are in line with normal market practice. Employer contribution of up to 17% of basic salary to a defined contribution scheme is available to all staff. The Company operates an HMRC approved All Employee Share Ownership Plan (AESOP). All staff receive up to £3,000 of shares in each year and can elect to purchase up to £1,500 of partnership shares from pre-tax income each tax year.

No change in 2012. Since February 2011, Executive Directors receive a cash allowance in lieu of pension contribution. 25% in respect of the CEO and 20% for the Finance Director. These allowances are taken into account in setting total remuneration. From May 2013 the Company will match the purchase of shares up to £20 per month to encourage greater employee share ownership.

The remuneration policy incorporates the statement of risk appetite and risk is included specifically within short and long term incentives.

No change in 2012.

The compensation payment provisions in service contracts are based on salary and benefits only and include mitigation provisions. A clawback provision was introduced into the LTIP in 2011.

No change in 2012.

Remuneration Report

Remuneration Committee

This report outlines our remuneration practices for executive directors and other senior employees, including those identified as code staff, as defined by the Financial Services Authority remuneration code (FSA code).

A resolution to approve this report will be proposed at the forthcoming Annual General Meeting.

Membership

The members of the Committee, all of whom are non-Executive Directors, are set out on pages 28 and 29.

Attendance

The Committee met on five occasions during the year. The Chairman of the Board, as well as the Chief Executive and Finance Director, attend the Committee by invitation, as does the Director of Human Resources. The Company Secretary acts as a Secretary to the Committee. None of these Executives were present when matters relating to their own remuneration were discussed.

Independent Advice

The Committee has during the year received independent advice on remuneration from Towers Watson. Towers Watson has no connection with the Company other than by virtue of their appointment by the Remuneration Committee.

PRPi and PwC provided the Committee and management with information on market positioning in 2012.

Key Responsibilities of the Committee

- Determine and agree remuneration of the Chairman, Executive Directors, the Company Secretary, Executive Committee members and other code staff, as defined by the FSA Remuneration code
- Review ongoing appropriateness and relevance of the remuneration policy

- Approve design and subsequent targets for any performance related pay schemes in operation and approve total annual payments under such schemes
- Review design of all share incentive plans and determine each year whether awards will be made and agree performance targets to be used
- Determine policy for pension arrangements for Executive Directors and other senior executives
- Ensure that contractual terms on termination are both fair to individual, do not reward failure and the right to mitigate loss is recognised
- Oversee any major changes in employee benefits structures
- Ensure compliance with FSA code and report to shareholders in accordance with relevant legal requirements and codes of practice and other applicable rules.

Total Pay Opportunities

The Committee adopts an approach which has a strong emphasis on variable pay. Our approach has been to manage fixed costs tightly and link variable compensation closely to performance related measures and thus aligning with interests of shareholders. Total remuneration will comprise basic salary, pension provision, annual bonus and any awards which vest under the long term incentive plans.

The bar chart below outlines the weightings of the main remuneration components for Executive Directors. The chart highlights both the actual remuneration received in relation to 2012 and maximum opportunity levels.

The bar chart includes, as "Variable Share Award", the value of the awards granted in 2010 under the Long Term Incentive Plan which will vest by reference to performance during the three financial years ending 31 December 2012. This has been calculated in accordance with the draft recommendations published in June 2012 which are expected to come into effect for accounting periods ending after October 2013.

Total Pay Opportunities

	Fixed Cash ^①	Variable Cash ^②	Variable Share Award ^③	Total (£)
Katherine Garrett-Cox				
1 Actual received	34%	30%	36%	1,713,687
2 Maximum that could be received	24%	27%	49%	2,372,465
Alan Trotter				
1 Actual received	41%	22%	37%	846,851
2 Maximum that could be received	30%	19%	51%	1,164,289

① Includes Salary, Car Allowance, Taxable Benefits and Other Payments.

② Refers to the Annual Bonus awarded in respect of the period but paid after the period end.

③ The share price is the average price in the final quarter of the performance period.

Annual Bonus for 2012 Performance

Our policy is to recognise corporate and individual achievements each year through the annual bonus scheme and to reflect best practice and forthcoming legislation, we set out details of 2012 awards below. For Executive Directors, individual awards are assessed 50% against Corporate KPIs (detailed in the table below) and 50% against a set of business objectives linked to the Company strategy. Individual awards are determined by a rigorous assessment of achievement against defined objectives, and are reviewed and approved by the Committee.

The following bonuses in respect of the year ending 31st December 2012, which reflect strong results in all financial measures, were awarded and were payable after the year end.

Director	Max Bonus as % of salary	Bonus	% of max
Katherine Garrett-Cox	150%	£520,000	82%
Alan Trotter	100%	£185,000	82%

In determining bonus awards in respect of 2012 the Committee considered achievement against Corporate KPIs and against business targets linked to the Company's strategic goals. The Corporate KPIs detailed below resulted in an award of 41% from a maximum of 50% for both Executive Directors.

KPIs	Annual Bonus	Long-term incentive
NAV Total Return	✓ (% change in NAV against a peer group 1 year)	✓ (% change in NAV against a peer group 3 years)
Total Shareholder Return	✓ (% change in TSR against a peer group 1 year)	✓ (% change in TSR against a peer group 3 years)
Dividend Growth	✓	
Company Costs	✓ (against budget)	

The Committee also considered performance against business targets, which represent 50% of the overall award.

The individual business targets set for Katherine Garrett-Cox reflected her roles as Chief Executive and Chief Investment Officer and included financial performance of the Group and subsidiary businesses, people development, oversight and investor relations.

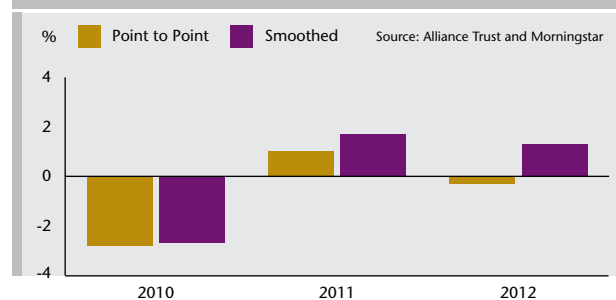
The Committee concluded that Katherine Garrett-Cox had successfully led a number of transformational change projects, including the restructuring of the Global investment team, the acquisition of the Aviva SRI business and the completion of the integration of the SRI team. The Committee also considered risk and oversight objectives and agreed that a strong and robust framework had been established. Lastly the Committee considered a set of leadership objectives and judged that Katherine Garrett-Cox had set a clear vision for the business and had fully met the requirements set by the Committee. The Committee awarded Katherine Garrett-Cox 41% from a maximum of 50% in respect of business targets.

The individual business targets set for Alan Trotter included embedding a strong risk framework within the business, setting a robust financial planning process and contribution to strategic development of the Group.

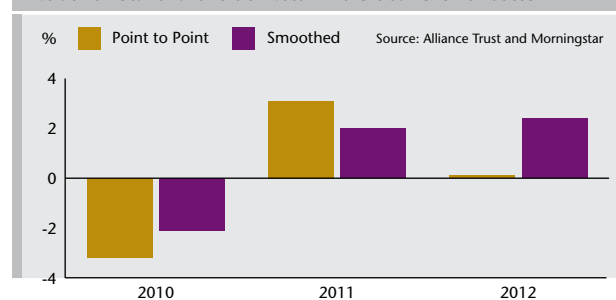
The Committee concluded that Alan Trotter had played a pivotal role in strategic projects throughout 2012, which had resulted in significant developments in ATS and ATI. He also demonstrated sound commercial leadership and had embedded strong risk management practices across the overall Group. The Committee awarded Alan Trotter 41% from a maximum of 50% in respect of business targets.

The Committee measures the financial targets on a smoothed basis for individual objectives ensuring that the Executive Directors focus on the long term and avoid short term decision-making. The following charts outline both smoothed (averaged over the thirty days at the start and end of each year) and point to point financial performance returns over three years and highlights the improving performance trend of our key business metrics over the last few years.

Relative NAV Total Return vs Global Growth sector



Relative Total Shareholder Return vs Global Growth sector



Other senior managers' annual bonuses are based on performance against business and individual objectives during the year, with the long-term element based on corporate and/or business performance measures. On page 42 we provide information on the aggregate payments made to the Senior Managers and others whose objectives had made a significant impact on the risk profile of the Company.

In setting the levels of remuneration for the Executive Directors, the Committee takes account of the levels of remuneration of other employees, particularly at senior level, within the Company and of the overall level of pay awards made. The Executive Directors' remuneration is not set through any formulaic approach or multiple of any other employees engaged within the business, but is driven by their experience and market rates for comparable roles.

Remuneration Report

Long Term Incentive Plans

There are two categories of award which can be made under the LTIP.

Matching Awards: these entitle the participant to receive shares at nil cost with the number of shares being calculated with reference to the amount of deferred bonus which is used to purchase shares in the Company and which are deposited in the plan. At least 50% of the annual bonus must be used in this way. The maximum that can be received is twice the number of shares that could be purchased with the gross value of the annual bonus at the time of the award. The maximum that Katherine Garrett-Cox may receive is the equivalent of the gross value of the annual bonus at the time of the award.

Performance Awards: these are based on the same long-term performance measure as the matching awards. The maximum number of shares which can be awarded in a performance award is calculated on twice the annual salary of the participant at the date of the award.

In respect of awards made in 2010 the target that must be met to achieve minimum vesting was based on TSR compared to that of a peer group of global growth and global growth and income investment trusts with the minimum level of vesting (25%) at median and full vesting at upper quartile. Vesting between median and upper quartile is based on a vesting curve.

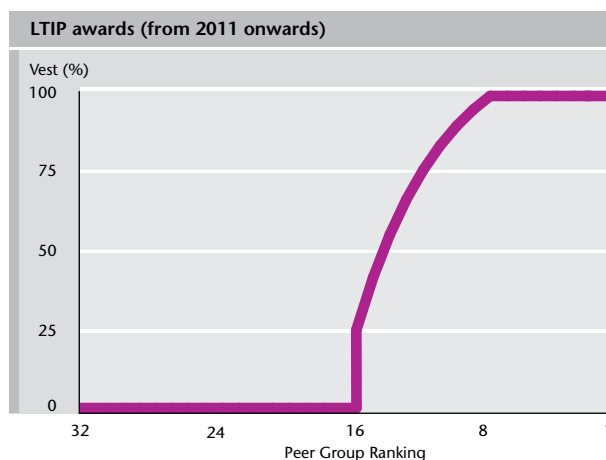
The 2010 LTIP has satisfied its minimum vesting requirements and has achieved an above median ranking of 18th from a peer group of 40 competitors based upon the TSR measure. This will mean 53.15% of the maximum awards granted in 2010 will be released in 2013.

The current measure for Executive Directors, as approved by the shareholders in 2011, is based on a combination of two separate performance measures – one relating to growth in NAV and another to TSR – each of which will determine the extent to which 50% of an award vests. Under these conditions, the TSR and NAV growth of the Company will be measured over a period of three consecutive financial years (commencing with the financial year in which the award in question is granted) and then compared to the corresponding performance of each company in a comparator group comprised of AIC global growth investment trusts (the current peer group for awards made in 2011, is set out opposite).

At the end of this period, two separate ranking tables will be produced – one for the “TSR element” of the award and another for the “NAV element” – with Alliance Trust’s position in each table determining the extent to which the relevant part of the award vests as follows:

TSR/NAV Performance against Peer Group	% of share awards that vest
Below Median	0
Median	25
Between Median and Top Quartile	25-100*
Top Quartile	100

* Based on a vesting curve shown opposite



So, for example, if over the applicable period of three financial years Alliance Trust achieved an upper quartile position in the TSR ranking table but only managed median performance in relation to NAV growth then an award would vest in respect of 62.5% of the total number of shares over which it was originally granted (i.e. 50% x 100% for TSR performance plus 50% x 25% for NAV performance).

However, notwithstanding the level of the Company’s performance against the TSR and NAV growth conditions no part of an award will vest unless the Company has declared a progressive dividend in respect of each of the financial years that make up the performance period.

It is intended that all awards will be satisfied from shares purchased on the open market and no new shares will be issued to satisfy awards.

Bankers	Law Debenture
British Empire Securities	Lindsell Train
Brunner	Majedie
Caledonia Investments	Martin Currie Global Portfolio
Cayenne	Mid Wynd International
Edinburgh Worldwide	Miton Worldwide Growth
EP Global Opportunities	Monks
Establishment	New Star
Foreign & Colonial	Personal Assets
F&C Global Smaller Companies	RIT Capital Partners
F&C Managed Portfolio Growth	Scottish Investment
Henderson Global	Scottish Mortgage
Independent	SVM Global Fund
JPM Elect Managed Growth	Witan
JPMorgan Overseas	World Trust Fund
Jupiter Primadona Growth	

Executive Directors’ Service Contracts

The Executive Directors have service contracts which may be terminated on twelve months notice from the Company or six months notice from the Director. The contracts contain express mitigation provisions should their contracts be terminated. The mitigation provisions are structured to provide monthly payments, during the notice period against which any income received during the period is offset. The monthly payments would be based on current salary,

pension contributions and benefits. Service contracts do not contain a default normal retirement age.

The Committee has adopted a policy that Executive Directors should, over time, accumulate a personal holding of shares in the Company equivalent to their annual salary.

The contractual arrangements for loss of office for Robert Burgess were the same as for the current Executive Directors. These formed the basis of an agreement reached with Robert Burgess in February 2012 for the Company to pay a series of monthly payments up to the equivalent of one year's salary and benefits and for those to be reduced in the event of alternative employment income. If any of his outstanding LTIP awards become payable at the end of the

performance period, the amount received will be based on the time he actually served during the performance period.

Other Directorships

The Company has a policy of permitting its Executive Directors to hold one external directorship in another company where this does not conflict with their duties to the Company. Katherine Garrett-Cox became a member of the Supervisory Board of Deutsche Bank AG in 2011 (for which an annual fee is payable and is retained by the Director - in 2012 she received fees of €47,800 in respect of the previous year) and Alan Trotter is a member of the University of Edinburgh Audit Committee (no fees are payable).

Executive Director Service Contracts	Date of contract	Notice from Company	Notice from Director	Provision of Compensation
Katherine Garrett-Cox	20/04/07	12 months	6 months	For loss of office up to one year's salary and benefits
Alan Trotter	01/02/10	12 months	6 months	For loss of office up to one year's salary and benefits

Annual Salary

The table below shows the annual salaries of each of our Executive Directors.

Salary at	1/1/09 (£)	1/1/10 (£)	1/1/11 (£)	1/1/12 (£)	1/1/13 (£)
Katherine Garrett-Cox	405,000	405,000	425,250	425,250	425,250
Alan Trotter	-	210,000	225,000	225,000	225,000

Summary Table of Salary and Benefits

Executive Director	Date of Contract	Salary/Fees 1/1/12 to 31/12/12 (£)	Car Allowance (£)	Annual Bonus (£) ¹	Taxable Benefits (£) ²	Other Payments (£) ³	Total 1/1/12 to 31/12/12 (£)	Total 1/2/11 to 31/12/11 (£)
Katherine Garrett-Cox	20/04/07	425,250	15,000	520,000	5,775	132,259	1,098,284	1,034,175
Alan Trotter	01/02/10	225,000	15,000	185,000	2,845	101,900	529,745	456,909
Robert Burgess	02/02/10	43,750	2,500	-	120	491,372	537,742	461,751
Non-Executive Director	Date of Appointment							
Lesley Knox	15/06/01	25,556	-	-	-	-	25,556	91,667
Karin Forseke	01/03/12	100,000	-	-	-	-	100,000	-
Hugh Bolland	01/07/07	13,325	-	-	-	-	13,325	37,583
Consuelo Brooke	25/11/11	24,417	-	-	-	-	24,417	3,600
John Hylands	22/02/08	46,000	-	-	-	-	46,000	42,167
Timothy Ingram	24/09/10	12,350	-	-	-	-	12,350	33,000
Alastair Kerr	01/10/12	10,625	-	-	-	-	10,625	-
Christopher Masters	15/11/02	40,667	-	-	-	-	40,667	37,583
Susan Noble	11/07/12	19,116	-	-	-	-	19,116	-

¹ This is the bonus payable in respect of period ending 31 December 2012 and was paid after the period end.

² These cover healthcare and life assurance.

³ Payments in lieu of pension contributions and overnight accommodation allowance. In the case of Robert Burgess this figure includes payments for loss of office. In the case of Alan Trotter this includes the cost of his relocation.

Remuneration Report

Remuneration Code disclosures

The following table sets out fixed and variable remuneration paid to the Senior Managers and other Remuneration Code staff whose actions have a significant impact on the risk profile of the Company.

	Period ended 31 Dec 2011	Year ended 31 Dec 2012
Fixed remuneration	£2.96m	£3.5m
Variable remuneration	£2.23m	£4.5m
Number of beneficiaries	21	27

Directors' Shareholdings

All Directors are required to acquire 3,000 shares in the Company. Details of the shareholdings of all Directors, together with details of shares acquired in the year, are shown below. The Company has issued no options to subscribe for shares.

Directors Shareholdings*	As at 1 Jan 12 or date of appointment if later	31 Dec 12 or date of cessation of appointment	As at 31 Dec 12	Acquired between 31 Dec 12 & 8 Mar 13
Karin Forseke	-	22,000	69	-
Consuelo Brooke	3,000	5,739	-	-
Hugh Bolland	10,000	10,000	-	-
Robert Burgess	89,764	92,415	-	-
Katherine Garrett-Cox	343,828	405,335	4,014	-
John Hylands	66,595	68,175	384	-
Timothy Ingram	44,524	44,524	-	-
Alastair Kerr	-	3,000	-	-
Lesley Knox	160,109	160,932	-	-
Christopher Masters	11,657	12,032	-	-
Susan Noble	-	4,074	44	-
Alan Trotter	18,181	31,966	107	-

* Unaudited

Non-Executive Directors

Non-Executive Directors receive only fees (£35,000 per annum from 1 August 2012) and do not receive salary, bonuses, pension or share options. Each Non-Executive Director's appointment is governed by written terms which are available for inspection at the Company's registered office and are also available at the Annual General Meeting. Non-Executive Directors are appointed subject to that annual re-election at the Company's AGM.

The Company and the Remuneration Committee take advice from independent consultants who advise on fees and issues of comparability between the Company and other similarly sized companies, and companies operating in the same sector, to ensure that the Non-Executive Directors and Chair are remunerated at a level which reflects the time commitment and responsibilities of the role.

The Remuneration Committee determines the Chair's fee (£120,000 per annum from March 2012). The Board (excluding the Non-Executive Directors who take no part in the process) determines the Non-Executive Directors' fees.

Additional fees are paid for service on committees as follows:

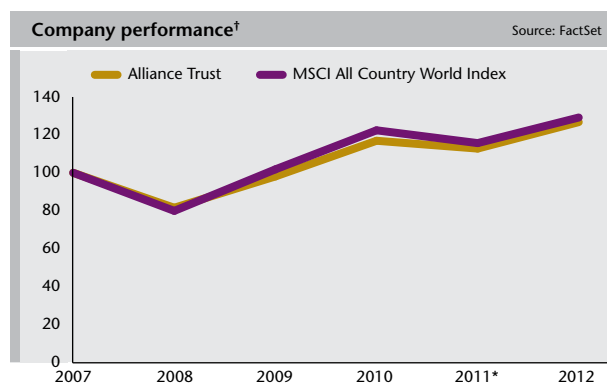
Membership of Audit Committee	£3,000
Membership of Remuneration Committee	£3,000
Membership of Board Risk Committee*	£3,000
Chair of Remuneration Committee	£7,500
	(from 1 August 2012)
Chair of Audit Committee	£11,000
	(from 1 August 2012)
Senior Independent Director	£5,000
	(from 1 August 2012)
Chair of Board Risk Committee*	£7,500

* No payments made in 2012

Company performance graph

We do not have a benchmark but are required by law to include a graph showing the total shareholder return of the Company against a broad equity market index over a five year period. The comparator which has been selected as a broad measure of our performance is the MSCI All Country World Index.

It should be noted that the Company does not seek to track this index.



* 11 months January to December

† Rebased to 100 at 31 January 2007

Audit Statement

The tables on pages 39, 42 and 43 together with the related footnotes have been audited by the Company's Auditor whose report is on page 48.

The Directors' remuneration report has been approved by the Board and signed on its behalf by

Alastair Kerr

Chairman of the Remuneration Committee
11 March 2013

Long Term Incentive Plan Awards

Awards made to current and former Executive Directors under Long Term Incentive Plan in the year ended 31 December 2012 and earlier years.

Katherine Garrett-Cox

Scheme and year of award	At 1 Jan 12	Awards Granted in year	Awards Vested in year	Awards Lapsed in year	At 31 Dec 12	Market price of share on date of award	Vesting Date
LTIP 2 May 2012 (Matching Award)	-	84,997	-	-	84,997	£3.6370	2 May 2015
LTIP 2 May 2012 (Performance Award)	-	233,846	-	-	233,846	£3.6370	2 May 2015
LTIP 31 May 2011 (Matching Award)	68,466	-	-	-	68,466	£3.8150	31 May 2014
LTIP 31 May 2011 (Performance Award)	222,935	-	-	-	222,935	£3.8150	31 May 2014
LTIP 4 May 2010 (Matching Award)	70,008	-	37,174 will vest	32,834 will lapse	70,008	£3.3970	4 May 2013
LTIP 4 May 2010 (Performance Award)	238,445	-	126,614 will vest	111,831 will lapse	238,445	£3.3970	4 May 2013
LTIP 10 June 2009 (Matching Award)	94,406	-	-	94,406	-	£2.8275	10 June 2012
LTIP 25 June 2009 (Performance Award)	295,620	-	-	295,620	-	£2.7400	25 June 2012

Alan Trotter

Scheme and year of award	At 1 Jan 12	Awards Granted in year	Awards Vested in year	Awards Lapsed in year	At 31 Dec 12	Market price of share on date of award	Vesting Date
LTIP 2 May 2012 (Matching Award)	-	52,112	-	-	52,112	£3.6370	2 May 2015
LTIP 2 May 2012 (Performance Award)	-	123,728	-	-	123,728	£3.6370	2 May 2015
LTIP 31 May 2011 (Matching Award)	35,320	-	-	-	35,320	£3.8150	31 May 2014
LTIP 31 May 2011 (Performance Award)	117,955	-	-	-	117,955	£3.8150	31 May 2014
LTIP 4 May 2010 (Performance Award)	123,638	-	65,651 will vest	57,987 will lapse	123,638	£3.3970	4 May 2013
Agreement 4 May 2010 (Share Award)*	34,571	-	18,357 will vest	16,214 will lapse	34,571	£3.3970	4 May 2013

Robert Burgess

Scheme and year of award	At 1 Jan 12	Awards Granted in year	Awards Vested in year	Awards Lapsed in year	At 31 Dec 12	Market price of share on date of award	Vesting Date
LTIP 31 May 2011 (Matching Award)	66,537	-	-	-	66,537	£3.8150	31 May 2014
LTIP 31 May 2011 (Performance Award)	137,614	-	-	-	137,614	£3.8150	31 May 2014
LTIP 4 May 2010 (Matching Award)	105,755	-	34,123 will vest	71,632 will lapse	105,755	£3.3970	4 May 2013
LTIP 4 May 2010 (Performance Award)	147,188	-	47,493 will vest	99,695 will lapse	147,188	£3.3970	4 May 2013
LTIP 25 June 2009 (Performance Award)	127,737	-	-	127,737	-	£2.7400	25 June 2012

* On appointment, Alan Trotter received an award of £50,000 to reflect awards granted to him by his former employer which he forfeited upon accepting his appointment with the Company. This payment was conditional upon it being applied to the purchase of shares in the Company to which a share award was granted under the same terms, and under the same performance conditions, as matching awards made under the LTIP.

Financial Performance

Financial year end

The Company changed its financial year end to 31 December last year. The results are for the year to 31 December 2012 and comparatives which are in brackets, are for the 11 month period ended 31 December 2011.

Consolidated Results

For the year ended 31 December 2012 the consolidated profit per share was 43.78p (loss 30.75p) comprising revenue earning per share of 8.61p (8.91p) and capital profit per share of 35.17p (loss 39.66p).

Consolidated administrative expenses charged against revenue profits were £41.2m (£37.4m). Consolidated administrative expenses charged against capital profits were £1.6m (£2.0m).

Company Total Return

The Company generates returns through revenue earnings and capital growth. For the year ended 31 December 2012 the revenue earnings per share were 9.74p (9.87p) and the capital profit per share was 35.40p (loss 41.06p) representing a total profit per share of 45.14p (loss 31.19p).

Company Revenue Performance

Revenue earned from the Company's assets decreased by 6% to £80.0m (£85.1m). Income from investments decreased by 5% to £77.7m (£81.4m) primarily due to a reduction in special dividends received in the year, compared to the previous period.

Rental income on the Company's property portfolio reduced to £0.8m (£2.2m), primarily as a result of properties being sold in the previous period.

Company Capital Performance

Last year saw an increase in the financial markets and our net asset value per share increased by 10% (decrease 7.6%) to 444.9p (405.8p). Gains on our investment portfolio totalled £198.5m (losses £254.8m).

Company Expenses

We remain conscious of prevailing market conditions and the requirement to apply strict cost controls across the business. Company costs increased by 9% to £18.7m when compared with annualised expenses for the prior period of £17.2m. The increase was mainly due to the £1m one-off reorganisation costs associated with the restructure of the investment team. The Company also benefited from a one off gain of £0.8m which was netted off against administrative expenses in the previous period as a result of the closure of the Defined Benefit pension scheme to future accrual.

Ongoing Charges Calculation

We have adopted the AIC's recommended methodology for the calculation of an Ongoing Charges figure issued in May 2012. This replaces the former Total Expenses Ratio. As a self managed investment company we have adopted the AIC's recommendation that costs relating to compensation schemes which are linked directly to investment performance should be excluded from the calculation of the principal Ongoing Charges figure. We have, in line with the guidance, disclosed on page 93 the Ongoing Charges figure both including and excluding such capital incentives.

It should also be noted that in line with AIC's methodology, the expenses incurred by the Company's subsidiaries have been excluded from the Ongoing Charges calculation as these do not relate to the operation of the investment company. As the Company has substantial investments in the Monthly Income Bond Fund and Global Thematic Opportunity Fund managed by Alliance Trust Investments, a proportion of the ongoing charges of these underlying funds have, however, been incorporated into the Ongoing Charges. The proportion is based on the percentage of the fund held by the Company.

Dividend

The Company has a policy of growing the dividend and, subject to external factors such as changes in the economic environment and taxation, the Directors seek to manage the assets of the Company to generate a growing revenue stream which will allow them to continue to declare increasing dividends year on year.

Having paid three interim dividends of 2.3175p for last year, the Directors have declared a fourth interim dividend of 2.3175p payable on 5 April 2013, plus a special dividend of 0.36p per share payable on or around 1 July 2013. The total dividend for the period, of 9.63p, is an increase of 7% on the 9.00p paid for the previous period.

In the absence of any unforeseen developments, we expect to be able to recommend quarterly interim dividends of 2.3870p, payable on or around 1 July 2013, 30 September 2013 and 31 December 2013 and a fourth interim dividend of at least 2.3870p, payable on or around 31 March 2014.

Subsidiary Businesses

The financial results of the subsidiary businesses are disclosed on pages 20 to 23 and in Note 19 on pages 73 to 75 which explains the basis of inter-company charging.

Borrowing Facilities

At 31 December 2012 we had net debt of 6.6% (7.7%). The Company had committed funding lines of £400m (£450m) in place at the year end and good covenant cover.

Accountability and Audit

“The Audit Committee has an important role in ensuring that the Company’s financial statements and those of the other companies in the Group, are correct and that the systems of controls that are in place are effective and appropriate.

This year we considered the control processes and risk management systems that we had in the business to ensure that they continued to be fit for the changed governance structure we had adopted during the year and the ever changing business environment in which we operate. For 2013 we have decided to enhance the level of scrutiny applied to risk within the business by establishing a Board Risk Committee to focus on the oversight of the risk management framework. We believe that this will complement the activities of this Committee.

During the year we adopted a methodology for determining the fair value of our subsidiary businesses, approved new assumptions for our defined benefit pension scheme and considered reports on the use of derivatives within the business with particular attention being taken to ensure that proper safeguards had been adopted in respect of their use and that appropriate procedures and processes were being operated.”

John Hylands
Chairman of the Audit Committee

Directors’ responsibilities statement

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. By law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements under IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors’ Report that complies with that law and those regulations.

Role of the Audit Committee

Membership of the Committee can be found on pages 28 and 29.

In addition to reviewing and recommending to the Board the Financial Statements of the Company the Audit Committee’s main roles are to:

- monitor the integrity and content of the financial statements of the Company and its subsidiaries;

Accountability and Audit

- review the integrity and effectiveness of the internal controls and risk management systems of the Company and its subsidiaries; and
- ensure that the Auditor's independence is maintained and that the audit service they provide is effective.

The Finance Director, Head of Internal Audit and Head of Compliance normally attend meetings of the Committee. The Chair and the Chief Executive attend by invitation and the external Auditor normally attends. The Audit Committee meets at least once during the year with the Head of Internal Audit and the Auditor in the absence of management.

The Committee also reviews and reports to the Board on compliance with the requirements of relevant legislation or regulation and the relationship of any group company with any appropriate regulatory body supervising or regulating its business.

Our activities during the year are summarised on page 35. Matters considered during the year included a review of the operation of derivatives within the business where we recognised that these forms of instruments could increase our risk exposure and we wished to ensure that appropriate controls and processes were in place to ensure that our risk exposure was managed to an acceptable level.

Internal Control

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for the Group's risk management and internal control systems. The Group's system of internal control is designed to facilitate effective and efficient operations and to ensure the assets of the Group are safeguarded, proper accounting records are maintained, and the financial information used within the business and for reporting to stakeholders is reliable.

The Board has established an ongoing process for the identification, evaluation and management of the significant risks faced by the Group. The Board regularly reviews this process, which has been in place from the start of the financial year to the date of approval of this report and which is in accordance with the "Internal Control - Revised Guidance for Directors on the Combined Code" published in October 2005.

Any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board is responsible for the Group's risk management and internal control systems and regularly reviews their effectiveness, including all material financial, operational and compliance controls. The Board has also performed

an assessment for the purpose of this annual report, which considered all significant aspects of risk management and internal control arising during the period of the report, including the work of the Risk, Compliance and Internal Audit functions.

The Risk Management Committee and the Audit Committee assist the Board in discharging its responsibilities for regularly reviewing the effectiveness of risk management and internal control systems. The Risk Management Committee conducts an annual review of the effectiveness of the Group's Risk Management Framework and reviews and challenges the results of the Group's Risk and Control Self Assessment process which considers the effectiveness of internal control in managing the significant risks to which the Group is exposed. The Audit Committee regularly receives reports from the Group's Compliance and Internal Audit functions and from external auditors which include details of all significant internal control issues that have been identified. As a result of the annual review and the ongoing processes for review, monitoring and reporting of internal control, the Board did not identify any significant weaknesses or failings and remains satisfied with the effectiveness of the Group's risk management and internal control systems.

The Group has a clear organisational structure for the control and monitoring of its business, including defined lines of responsibility and delegation of authority. The Group has a comprehensive system for reviewing, monitoring and reporting performance to the Board, including a detailed financial review against forecast.

Internal control over financial reporting

One of the risks to the Group is Financial and Prudential Reporting – the risk of adopting inappropriate accounting policies and ineffective controls over financial and regulatory reporting. A Financial Accounting Policy and an Accounting Manual have been established to enable the Group to comply with all relevant accounting standards to ensure that the financial statements provide a true and fair view.

This risk and the mitigating controls are assessed regularly by management. Controls over the preparation of the consolidated accounts include but are not limited to:

- A formal review and sign off of the annual accounts by management including verification of any statements made.
- Adoption of appropriate accounting policies by the Board.
- Review and approval of accounting estimates by the Board.

Independence of Auditor

During 2010 the Board carried out a tender exercise for the role of Auditor. This involved a rigorous selection process during which the Company sought submissions from all

of the major audit firms. The Audit Committee considered submissions made and received presentations from the short listed firms. After careful consideration the Committee decided that it would be appropriate to change auditor and recommended the appointment of Deloitte LLP to the Board who in turn recommended their appointment to the members at the 2011 AGM. Deloitte LLP was subsequently reappointed at the 2012 AGM and are proposed for reappointment in 2013. The recommendation for reappointment is not automatic. In the course of the year the chairman of the Committee has met with the Auditor on a number occasions outwith the formal structure of Committee meetings. The Committee has considered the performance of the Auditor and is satisfied with the rigour that they apply to the audit process and have recommended the reappointment of Deloitte LLP for a further year.

The Committee's policy is to allow the audit firm to be instructed to undertake additional work only where there is no threat to independence. Any assignment must be approved on behalf of the Committee by its chairman. Last year £45,000 was paid to the Auditor in respect of work on regulatory services. Each year the Committee consider and affirm the independence of the Auditor and they have done so in respect of the current Auditor.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditor is unaware; and each Director has taken all steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Going Concern

The Group's business activities are set out on pages 2 and 3 with the principal risks which could impact on performance set out on pages 24 and 25. The Group's financial position and cash flows are set out on pages 53 and 54 along with an analysis of its borrowings in Note 15 on page 71. As regards going concern the Directors have considered both liquidity and solvency risks.

Liquidity is concerned with our ability to liquidate assets or access new sources of short term funds in the time needed to meet our liabilities as they fall due. The majority of the Group's assets are in listed securities on recognised stock exchanges which are readily realisable even in volatile markets. At 31 December 2012 we also had £200m of unused committed funding lines.

Solvency is concerned with our ability to meet our liabilities in full. This involves managing our capital by maintaining a business model which is capable of delivering over time a continuing economic return to our shareholders whilst

absorbing the impact of any risks which crystallise. As at 31 December 2012 the Group's total net assets were £2.5bn. Our investment policy restricts gearing to 30% of net assets at any given time (6.6% at 31 December 2012).

Sensitivities to market, credit, liquidity and gearing risk are set out in Note 23 on pages 77 to 84. The Directors, who have reviewed the budgets, forecasts and sensitivities for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements.

Report of Directors and Responsibility Statement

The Report of the Directors, comprising the statements and reports on pages 2 to 5, and 8 to 27 together with the Governance sections on pages 30 to 35 and 44 to 47 of this Annual Report and Accounts has been approved by the Board.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

Karin Forseke
Chair

11 March 2013

Katherine Garrett-Cox
Chief Executive

11 March 2013

Independent Auditor's Report

TO THE MEMBERS OF ALLIANCE TRUST PLC

We have audited the financial statements of Alliance Trust PLC for the year ended 31 December 2012 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's and the parent company's profit for the year then ended;

- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 47, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Calum Thomson (Senior statutory auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

11 March 2013

Financial Statements

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Financial Statements

Consolidated income statement for the year ended 31 December 2012

£000	Notes	Year to December 2012			11 months to December 2011		
		Revenue	Capital	Total	Revenue	Capital	Total
Revenue							
Income	3	105,260	-	105,260	104,610	-	104,610
Profit/(Loss) on fair value designated investments		-	221,313	221,313	-	(253,611)	(253,611)
Loss on investment property		-	(812)	(812)	-	(240)	(240)
Total revenue		105,260	220,501	325,761	104,610	(253,851)	(149,241)
Administrative expenses	4	(41,234)	(1,625)	(42,859)	(37,419)	(1,957)	(39,376)
Finance (costs)/income	5	(10,678)	(25,358)	(36,036)	(8,736)	5,914	(2,822)
Loss on disposal of office premises		-	-	-	-	(5)	(5)
Loss on revaluation of office premises		-	(1,900)	(1,900)	-	-	-
Foreign exchange gains		5	9,026	9,031	-	1,275	1,275
Profit/(Loss) before tax		53,353	200,644	253,997	58,455	(248,624)	(190,169)
Tax	6	(4,249)	(103)	(4,352)	(2,562)	(100)	(2,662)
Profit/(Loss) for the year/period		49,104	200,541	249,645	55,893	(248,724)	(192,831)

All profit/(loss) for the year is attributable to equity holders of the parent.

Earnings per share from continuing operations attributable to equity holders of the parent

	8						
Basic (p per share)		8.61	35.17	43.78	8.91	(39.66)	(30.75)
Diluted (p per share)		8.58	35.06	43.64	8.89	(39.66)	(30.77)

Consolidated statement of comprehensive income

£000	Year to December 2012			11 months to December 2011		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit/(Loss) for the year/period	49,104	200,541	249,645	55,893	(248,724)	(192,831)
Defined benefit plan net actuarial loss	-	(405)	(405)	-	(767)	(767)
Retirement benefit obligations deferred tax	-	48	48	-	449	449
Other comprehensive loss	-	(357)	(357)	-	(318)	(318)
Total comprehensive income/(loss) for the year/period	49,104	200,184	249,288	55,893	(249,042)	(193,149)

All total comprehensive income/(loss) for the year is attributable to equity holders of the parent.

Company income statement for the year ended 31 December 2012

£000	Notes	Year to December 2012			11 months to December 2011		
		Revenue	Capital	Total	Revenue	Capital	Total
Revenue							
Income	3	80,047	-	80,047	85,117	-	85,117
Profit/(Loss) on fair value designated investments		-	199,278	199,278	-	(254,584)	(254,584)
Loss on investment property		-	(812)	(812)	-	(240)	(240)
Total revenue		80,047	198,466	278,513	85,117	(254,824)	(169,707)
Administrative expenses	4	(17,671)	(985)	(18,656)	(14,824)	(1,159)	(15,983)
Finance costs	5	(2,557)	(2,730)	(5,287)	(3,026)	(2,950)	(5,976)
Loss on disposal of office premises		-	-	-	-	(5)	(5)
Loss on revaluation of office premises		-	(1,900)	(1,900)	-	-	-
Foreign exchange gains		-	9,026	9,026	-	1,275	1,275
Profit/(Loss) before tax		59,819	201,877	261,696	67,267	(257,663)	(190,396)
Tax	6	(4,252)	-	(4,252)	(5,369)	100	(5,269)
Profit/(Loss) for the year/period		55,567	201,877	257,444	61,898	(257,563)	(195,665)

All profit/(loss) for the year is attributable to equity holders of the parent

Earnings per share from continuing operations attributable to equity shareholders

	8						
Basic (p per share)		9.74	35.40	45.14	9.87	(41.06)	(31.19)
Diluted (p per share)		9.71	35.29	45.00	9.84	(41.06)	(31.22)

Company statement of comprehensive income

£000	Year to December 2012			11 months to December 2011		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit/(Loss) for the year/period	55,567	201,877	257,444	61,898	(257,563)	(195,665)
Defined benefit plan net actuarial loss	-	(405)	(405)	-	(767)	(767)
Retirement benefit obligations deferred tax	-	48	48	-	449	449
Other comprehensive loss	-	(357)	(357)	-	(318)	(318)
Total comprehensive income/(loss) for the year/period	55,567	201,520	257,087	61,898	(257,881)	(195,983)

All total comprehensive income/(loss) for the year is attributable to equity holders of the parent

Statements of changes in equity for the year ended 31 December 2012

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Called up share capital				
At 1 January	14,833	16,527	14,833	16,527
Own shares purchased and cancelled in the year/period	(793)	(1,694)	(793)	(1,694)
At 31 December	14,040	14,833	14,040	14,833
Capital reserves				
At 1 January	1,665,692	2,158,630	1,629,129	2,131,651
Profit/(Loss) for the year/period	200,541	(248,724)	201,877	(257,563)
Defined benefit plan actuarial net loss	(357)	(318)	(357)	(318)
Own shares purchased and cancelled in the year/period	(112,721)	(245,534)	(112,721)	(245,534)
Share based payments	1,213	1,638	709	893
At 31 December	1,754,368	1,665,692	1,718,637	1,629,129
Merger reserve				
At 1 January and at 31 December	645,335	645,335	645,335	645,335
Capital redemption reserve				
At 1 January	4,165	2,471	4,165	2,471
Own shares purchased and cancelled in the year/period	793	1,694	793	1,694
At 31 December	4,958	4,165	4,958	4,165
Revenue reserve				
At 1 January	73,348	71,541	106,332	98,520
Profit for the year/period	49,104	55,893	55,567	61,898
Dividends	(54,237)	(54,090)	(54,237)	(54,090)
Unclaimed dividends	(13)	4	(13)	4
At 31 December	68,202	73,348	107,649	106,332
Total Equity At 1 January	2,403,373	2,894,504	2,399,794	2,894,504
Total Equity At 31 December	2,486,903	2,403,373	2,490,619	2,399,794

Balance sheet as at 31 December 2012

£000	Notes	Group		Company	
		Dec 12	Dec 11	Dec 12	Dec 11
Non-current assets					
Investments held at fair value	9	2,722,042	2,625,615	2,633,993	2,560,576
Investment property	9	9,120	9,775	9,120	9,775
Property, plant and equipment:	9				
Office premises		4,125	6,025	4,125	6,025
Other fixed assets		587	15	157	15
Intangible assets	11	1,408	1,598	320	390
Pension scheme surplus	25	4,305	3,150	4,305	3,150
Deferred tax asset	12	990	907	990	907
		2,742,577	2,647,085	2,653,010	2,580,838
Current assets					
Outstanding settlements and other receivables	13	23,882	190,644	14,114	22,171
Recoverable overseas tax		1,106	968	1,106	968
Cash and cash equivalents		444,916	415,435	33,336	72,349
		469,904	607,047	48,556	95,488
Total assets		3,212,481	3,254,132	2,701,566	2,676,326
Current liabilities					
Outstanding settlements and other payables	14	(523,605)	(600,539)	(5,597)	(22,661)
Tax payable		(141)	(141)	(3,991)	(3,991)
Bank loans	15	(200,000)	(248,768)	(200,000)	(248,768)
		(723,746)	(849,448)	(209,588)	(275,420)
Total assets less current liabilities		2,488,735	2,404,684	2,491,978	2,400,906
Non-current liabilities					
Deferred tax liability	12	(990)	(907)	(990)	(907)
Finance lease	27	(254)	-	(102)	-
Amounts payable under long term Investment Incentive Plan		(588)	(404)	(267)	(205)
		(1,832)	(1,311)	(1,359)	(1,112)
Net assets		2,486,903	2,403,373	2,490,619	2,399,794
Equity					
Share capital	16	14,040	14,833	14,040	14,833
Capital reserve	17	1,754,368	1,665,692	1,718,637	1,629,129
Merger reserve	17	645,335	645,335	645,335	645,335
Capital redemption reserve	17	4,958	4,165	4,958	4,165
Revenue reserve	17	68,202	73,348	107,649	106,332
Total Equity		2,486,903	2,403,373	2,490,619	2,399,794

All net assets are attributable to equity holders of the parent

**Net Asset Value per ordinary
share attributable to
equity holders of the parent** 18

Basic (£)	£4.44	£4.06	£4.45	£4.06
Diluted (£)	£4.43	£4.05	£4.44	£4.04

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2013.

They were signed on its behalf by:

Karin Forseke
Chair

Katherine Garrett-Cox
Chief Executive

Cash flow statement for the year ended 31 December 2012

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Cash flows from operating activities				
Profit/(Loss) before tax	253,997	(190,169)	261,696	(190,396)
Adjustments for:				
(Gains)/Losses on investments	(220,501)	253,851	(198,466)	254,824
Foreign exchange gains	(9,031)	(1,275)	(9,026)	(1,275)
Scrip dividends	(455)	(886)	(455)	(886)
Depreciation	91	12	42	12
Amortisation of intangibles	702	1,732	172	419
Loss on disposal/revaluation of property	1,900	5	1,900	5
Share based payment expense	1,213	1,638	709	893
Interest	36,036	2,822	5,287	5,976
Movement in pension scheme surplus	(1,512)	(3,071)	(1,512)	(3,071)
Operating cash flows before movements in working capital	62,440	64,659	60,347	66,501
Increase in amounts due to depositors	34,745	43,876	-	-
Decrease in receivables	3,015	9,630	948	898
Increase/(Decrease) in payables	4,577	(6,759)	(1,367)	(1,010)
Net cash flow from operating activities before income taxes	104,777	111,406	59,928	66,389
Taxes paid	(4,490)	(4,377)	(4,391)	(2,103)
Net cash inflow from operating activities	100,287	107,029	55,537	64,286
Cash flows from investing activities				
Proceeds on disposal of fair value through profit and loss investments	1,825,622	1,526,557	1,668,990	1,654,004
Purchases of fair value through profit and loss investments	(1,685,709)	(1,176,618)	(1,538,377)	(1,292,281)
Foreign exchange gains on foreign exchange contracts	7,437	487	7,437	487
Purchase of plant and equipment	(663)	-	(184)	-
Disposal of property	-	240	-	240
Purchase of intangible assets	(512)	(985)	(102)	(267)
Net cash inflow from investing activities	146,175	349,681	137,764	362,183
Cash flows from financing activities				
Dividends paid - Equity	(67,016)	(41,310)	(67,016)	(41,310)
Unclaimed dividends	(13)	4	(13)	4
Purchase of own shares	(112,721)	(245,534)	(112,721)	(245,534)
Repayment of borrowing	(48,768)	(90,229)	(48,768)	(90,229)
Third party investment in subsidiary OEIC – Alliance Trust Investment Funds	23,449	50,711	-	-
Interest payable	(13,506)	(11,060)	(5,385)	(5,350)
Net cash outflow from financing activities	(218,575)	(337,418)	(233,903)	(382,419)
Net increase/(decrease) in cash and cash equivalents	27,887	119,292	(40,602)	44,050
Cash and cash equivalents at beginning of year/period	415,435	295,355	72,349	27,511
Effect of foreign exchange rate changes	1,594	788	1,589	788
Cash and cash equivalents at end of year/period	444,916	415,435	33,336	72,349

Notes

1. General Information

Alliance Trust PLC was incorporated in the United Kingdom under the Companies Acts 1862-1886. The address of the registered office is given on page 90. The nature of the Group's operations and its principal activities are a global investment trust.

Last year the Company's financial year end changed to 31 December 2011. The following notes refer to the year ended 31 December 2012 and the comparatives which are in brackets for the 11 months to 31 December 2011.

Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. The most significantly affected components of the financial statements and associated critical judgements are as follows:

Valuation of unlisted investments

Investments which are not listed or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors' make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar instruments. Investments in subsidiary companies are valued in the Company's accounts at the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association. With respect specifically to investments in private equity, whether through funds or partnerships, the Directors rely on unaudited valuations of the underlying investments as supplied by the managers of those funds or partnerships. The Directors regularly review the principles applied by the managers to those valuations to ensure they are in compliance with the above policies.

Defined benefit scheme

The estimation of the expected cash flows used in the calculation of the defined benefit scheme liabilities includes a number of assumptions around mortality and inflation rates applicable to defined benefits. More detail is given in note 25 of the financial statements. The Directors take actuarial advice when selecting these assumptions and when selecting the discount rate used to calculate the defined benefit scheme surplus/deficit.

2. Summary of Significant Accounting Policies

The directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements for the reasons set out on page 47.

Basis of accounting

The same accounting policies, presentations and methods of computation are followed in these financial statements as were applied in the Group's last annual audited financial statements.

Both the parent Company financial statements and the Group financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union ("Adopted IFRSs").

The financial statements have been prepared on the historical cost basis, except that investments and investment properties are stated at fair value. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') "Financial Statements of Investment Trust Companies" for investment trusts issued by the Association of Investment Companies ('AIC') in January 2003 as revised in January 2009 is consistent with the requirements of IFRS, then the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The Group and the Company have prepared the financial statements under the SORP save for the matters noted below. The Company allocates direct costs, including expenses incidental to the purchase and sale of investments and incentive awards deemed to be performance related pursuant to the SORP against capital profits. However, the Company treatment varies with the recommendation of the SORP which states that either a proportion of all indirect expenditure or no indirect expenditure is allocated against capital profits. The Company allocates indirect expenditure against revenue profits save that two thirds of the costs of bank indebtedness, an indirect cost, are allocated against capital profits save for the costs associated with seeding the fixed income bond fund which are all charged to revenue. The allocation of the costs of bank indebtedness reflects the long term return expected from the Company's investment portfolio.

Adopted IFRSs

No amendments were made to any applicable IFRS for the year ended 31 December 2012.

IFRSs not yet applied

The following standards and interpretations which have been adopted by the European Union are not effective for the year ended 31 December 2012 and have not been applied in preparing the financial statements but are relevant to the financial statements of the Group and the Company:

IFRS 7	Amendments to Financial instruments disclosure in relation to off setting financial assets and liabilities.
IFRS 9	Classification and measurement of financial instruments
IFRS10	Accounting for consolidated financial statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interest in Other entities
IFRS 13	Fair Value measurement
IAS 1	Amendments to presentation and classification of Other Comprehensive Income
IAS 19	Amendments to Employee Benefits – additional disclosure and clarifications
IAS 28	Investments in Associates and Joint Ventures

Any required changes will be applicable to the financial statements of the Company and Group for the year ended 31 December 2013 and future years and are expected to impact the Company and Group's accounting for financial assets and liabilities and the disclosures thereof.

The IASB issued Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) in October 2012. This is due to be adopted by the European Union by the end of 2013 when the Directors' will consider the implications for the financial statements of the Company and Group.

The directors do not believe that the adoption of the other standards listed above will have a material impact on the financial statements of the Company or the Group in future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities. Where the Company has an investment of over 50% of the issued share capital of an Open Ended Investment Company ('OEIC'), the Company will treat the OEIC as a subsidiary. Third party investment in the OEICs is recognised in the balance sheet as a liability. Net gains/losses attributable to these investors are treated as finance costs in the income statement and are disclosed in note 5 on page 62 of the financial statements. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of income statement

In order better to reflect the activities of an investment trust and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented along with the income statement. Net capital returns are not distributed by way of a dividend.

Revenue recognition

Dividend income from investments is recognised when the Company or Groups rights to receive payment have been established, normally the ex-dividend date.

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a capital gain in the income statement.

Rental income from investment property and income from mineral rights is recognised on a time apportioned basis.

Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Special dividends receivable are treated as repayment of capital or as income depending on the facts of each particular case.

Underwriting commission is recognised as earned.

Savings and pension plan transaction charges and set-up fees are accounted for on the date on which the underlying transaction occurs. Annual charges are applied over the year to which they relate.

Expenses connected with rental income and mineral rights are included as administrative expenses.

Foreign currencies

Transactions in currencies other than Sterling are recorded at the rates of exchange applicable to the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included as capital net profit or loss for the year where investments are classified as fair value through profit or loss.

Expenses

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.
- Annual bonus and Incentive Plan costs which relate to the achievement of investment manager performance objectives and total shareholder return and net asset value performance objectives are allocated against capital profits and those that relate to the achievement of other corporate targets or job performance objectives against revenue profits save for those costs associated with the fixed income bond fund which are all allocated to revenue costs.
- 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 save for those costs associated with the fixed income bond fund which are all allocated to revenue costs.

Operating leases

Charges for operating leases are debited to the income statement on an accruals basis. Note 26 "Operating lease commitments" discloses the commitments to pay charges for leases expiring within 1, between 2-5 years and over 5 years.

Share based payments

The Group operates two share based payment schemes, the All Employee Share Ownership Plan (AESOP) and the Long Term Incentive Plan (LTIP). The cost of the AESOP is recognised as a revenue cost in the year. The fair value of options granted to employees under the LTIP is recognised as staff costs, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense may be adjusted to reflect the actual number of share options that vest. For share based compensation schemes settled by the Company a recharge equal to the cost during the year is made to subsidiary companies.

Investment incentive plan

The Investment Annual Incentive Plan is a discretionary plan for members of the investment team. It consists of matching awards which are based upon the proportion of annual bonus set aside in the scheme by the participants either in the form of cash or units in the funds which they manage. The awards are settled in cash at the end of a three year performance period subject to meeting predefined performance targets.

Pension costs

Employer contributions to pension arrangements for staff are charged to revenue costs.

Contributions in respect of the defined benefit scheme are calculated by reference to actuarial valuations carried out for the Trustees of the scheme at intervals of not more than three years, and represent a charge to cover the accruing liabilities on a continuing basis.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the year in which they occur.

Taxation

The Company carries on its business as an investment trust and conducts its affairs so as to qualify as such under the provisions of Sections 1158 and 1159 of the Corporation Tax Act 2010.

The tax expense predominantly represents the sum of the withholding tax suffered on foreign dividends.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the income statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the income statement, then no tax relief is transferred to the capital return column.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recorded within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Neither the Company or the Group recognise deferred tax assets or liabilities on capital profits or losses on the basis that the investment trust status of the Company means no tax is due on the capital profits or losses of the Company.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group will only offset financial assets and financial liabilities if it has a legally enforceable right of set off and intends to settle on a net basis.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are principally designated as fair value through profit and loss upon initial recognition (not including transaction costs). Listed investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Listed investments include Collective Investment Schemes authorised in the UK. These are valued at closing prices.

Investments in property are initially recognised at cost and then valued at fair value based on an independent professional valuation at the reporting date, with changes in fair value recognised through the income statement. Disposals of investment property are recognised when contracts for sale have been exchanged and the sale has been completed.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such unquoted equity instruments, they are carried at cost, subject to any provision for impairment.

Investments in subsidiary companies are valued in the Company's accounts at the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association.

Valuation of mineral rights, included in unlisted investments is based upon the gross income received from the asset in the previous twelve months multiplied by appropriate factors for gas and oil. Mineral rights are included in unlisted investments.

Foreign exchange gains and losses for fair-value designated investments are included within the changes in its fair value.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Group may enter include interest rate futures and swaps. The Group may also use credit derivatives, for example buying or selling protection on credit default swaps in order to manage credit risk.

Credit derivatives are used as a way of managing credit risk to counterparties, for effective portfolio management through hedging and investment purposes, within the Alliance Trust Investment Funds in particular the Monthly Income Bond Fund and Dynamic Bond Fund which are consolidated into the Group figures.

Derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity dates. Changes in fair value of derivative financial instruments are recognised in the Income Statement. The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are defined as short term, highly liquid investments that are readily convertible to known amounts of cash.

Other receivables

Other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Office premises

Office premises are valued every three years by chartered surveyors on the basis of market value in accordance with the RICS Appraisal and Valuation Standards. No depreciation has been charged on these assets as, in the opinion of the Board, any provision for depreciation would be immaterial.

Other fixed assets

Other fixed assets are held at cost less accumulated depreciation, which is charged to write off the value of the asset over three years.

Intangible assets

The external costs associated with the development and procurement of significant technology systems are capitalised where it is probable that the expected future economic benefit of that system will flow to the entity. They are stated at cost less accumulated amortisation. On the completion of each project amortisation is charged so as to write off the value of these assets over periods up to five years.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment is treated as a revaluation decrease.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption

and direct issue costs, are accounted for through the income statement on an accruals basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Other payables

Other payables are not interest bearing and are stated at their nominal value.

Buy backs and cancellation of shares

The costs of acquiring own shares for cancellation together with any associated trading costs are written back to distributable reserves. Share capital is reduced by the nominal value of the shares bought back with an equivalent entry made to the capital redemption reserve.

Realised and unrealised capital reserves

A description of each of the reserves follows:

Capital reserve

The following are recorded through this reserve:

- Gains and losses on realisation of investments
- Changes in fair value of investments
- Realised exchange differences of a capital nature
- Purchases of shares by the Trustee of the Employee Benefit Trust
- Amounts recognised in relation to share based payments which are capital in nature
- Amounts by which other assets and liabilities valued at fair value differ from their book value
- Buy back and cancellation of own shares
- Amounts recognised in relation to the defined benefit pensions scheme.

Merger reserve

This reserve was created as part of the arrangements for the acquisition of the assets of Second Alliance Trust PLC.

Capital redemption reserve

This reserve was created on the cancellation and repayment of the Company's preference share capital. Further movements in this reserve reflects the nominal value of the buy back and cancellation of a portion of the share capital of the Company.

Revenue reserve

Net revenue profits and losses of the Company and its subsidiaries and the fair value costs of share based payments which are revenue in nature are recorded within this reserve, together with the dividend payments made by the Company.

3 Revenue

An analysis of the Group's and Company's revenue is as follows:

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income from investments*				
Listed dividends – UK	37,347	37,268	30,777	32,227
Unlisted dividends – UK	227	50	122	46
Distributions from Collective Investment Schemes	-	-	12,706	9,705
Unlisted dividends – Subsidiaries	-	-	1,000	-
Listed dividends – Overseas	31,921	37,988	31,921	37,988
Unlisted dividends – Overseas	18	18	18	18
Interest on fixed income securities	16,043	11,581	726	487
Scrip dividends	455	886	455	886
	86,011	87,791	77,725	81,357
Other income				
Property rental income	757	2,176	757	2,176
Mineral rights income	1,070	1,224	1,070	1,224
Deposit interest	3,137	2,939	491	349
Savings and pension plan charges	11,823	8,855	-	-
Other income	2,462	1,625	4	11
	19,249	16,819	2,322	3,760
Total income	105,260	104,610	80,047	85,117
Investment income comprises				
Listed UK	52,665	48,362	43,483	41,932
Listed Overseas	31,921	37,988	31,921	37,988
Unlisted	245	68	1,141	64
Other	1,180	1,373	1,180	1,373
	86,011	87,791	77,725	81,357

* Designated at fair value through profit and loss on initial recognition

4 Profit before tax is stated after charging the following administrative expenses:

£000	Group			Group		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
Staff costs	16,713	1,625	18,338	17,004	1,957	18,961
Social security costs	1,884	-	1,884	2,088	-	2,088
Pension credit - defined benefit scheme*	(60)	-	(60)	(1,571)	-	(1,571)
Pension costs - defined contribution scheme	1,643	-	1,643	1,413	-	1,413
	20,180	1,625	21,805	18,934	1,957	20,891

4 Profit before tax is stated after charging the following administrative expenses: continued

£000	Group			Group		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
Auditor's remuneration						
Fees payable to the Company's auditors for the audit of the Company's annual accounts	52	-	52	50	-	50
Fees payable to the Company's auditors and their associates for other services to the Group						
The audit of the Company's subsidiaries pursuant to legislation	70	-	70	72	-	72
Total audit fees	122	-	122	122	-	122
Audit related assurance services	23	-	23	35	-	35
Taxation advisory services	-	-	-	39	-	39
All other services	45	-	45	24	-	24
Total non-audit fees	68	-	68	98	-	98
Fees payable to the Company's auditors and their associates in respect of associated pension schemes						
Audit	3	-	3	3	-	3
	3	-	3	3	-	3
Total remuneration	193	-	193	223	-	223
Operating lease charges						
Land and buildings	127	-	127	116	-	116
Other	62	-	62	49	-	49
Total operating lease charges	189	-	189	165	-	165
Other administrative costs	20,672	-	20,672	18,097	-	18,097
Total administrative expenses	41,234	1,625	42,859	37,419	1,957	39,376

£000	Company			Company		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
Staff costs	6,391	985	7,376	6,033	1,159	7,192
Social security costs	771	-	771	756	-	756
Pension credit - defined benefit scheme*	(30)	-	(30)	(783)	-	(783)
Pension costs - defined contribution scheme	623	-	623	517	-	517
	7,755	985	8,740	6,523	1,159	7,682
Auditor's remuneration						
Fees payable to the Auditor for the audit of the Company's annual accounts	52	-	52	50	-	50
Total audit fees	52	-	52	50	-	50
Taxation advisory services	-	-	-	16	-	16
All other services	37	-	37	-	-	-
Total non-audit fees	37	-	37	16	-	16
Fees payable to the Company's auditors and their associates in respect of associated pension schemes						
Audit	1	-	1	1	-	1
	1	-	1	1	-	1
Total remuneration	90	-	90	67	-	67

* As a result of the Defined Benefit Scheme closing to future accrual in the period to 31 December 2011, the Group and Company have benefited from a gain to the income statement.

Operating lease charges

Land and buildings	6	-	6	6	-	6
Other	28	-	28	24	-	24
Total operating lease charges	34	-	34	30	-	30
Other administrative costs including auditor's remuneration	9,792	-	9,792	8,204	-	8,204
Total administration costs	17,671	985	18,656	14,824	1,159	15,983

Total Directors' remuneration was £2,458,000 (£2,208,000). Further details are given on pages 38 to 43. In the year the Group employed an average of 247 (259) full-time and 18 (18) part-time staff, excluding Directors.

Ongoing charges (OCR) of the Company amounted to 0.67% (0.56%) of the average net assets. Including capital incentives, OCR of the company amounted to 0.71% (0.60%) of the average net assets.

The cost of insured benefits for staff including Executive Directors, is included in staff costs.

5 Finance costs

	Group			Group		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
£000						
Payable to depositors	3	-	3	25	-	25
Bank loans and overdrafts	2,560	2,730	5,290	3,030	2,950	5,980
Net gains/(losses) attributable to third party investment in subsidiary OEIC	8,115	22,628	30,743	5,681	(8,864)	(3,183)
Total finance costs	10,678	25,358	36,036	8,736	(5,914)	2,822

	Company			Company		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
£000						
Bank loans and overdrafts	2,557	2,730	5,287	3,026	2,950	5,976
Total finance costs	2,557	2,730	5,287	3,026	2,950	5,976

6 Taxation

	Group			Group		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
£000						
UK corporation tax at 24.5% (26.35%)	(103)	103	-	(200)	200	-
Prior year adjustment	-	-	-	(2,650)	-	(2,650)
Overseas taxation	4,303	-	4,303	5,084	(100)	4,984
	4,200	103	4,303	2,234	100	2,334
Deferred taxation	49	-	49	328	-	328
	4,249	103	4,352	2,562	100	2,662

Corporation tax is calculated at the average rate of 24.5% (26.35%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

£000	Group			Group		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
Profit/(Loss) before tax	53,353	200,644	253,997	58,455	(248,624)	(190,169)
Tax at the average UK corporation tax rate of 24.5% (26.35%)	13,072	49,158	62,230	15,402	(65,512)	(50,110)
Non taxable dividend income	(18,379)	-	(18,379)	(21,082)	-	(21,082)
(Losses)/gains on investments not taxable	-	(53,467)	(53,467)	-	67,090	67,090
Prior year adjustment	-	-	-	(1,752)	-	(1,752)
Foreign exchange adjustments	-	(2,211)	(2,211)	-	(336)	(336)
Effect of changes in tax rates	(50)	-	(50)	(29)	-	(29)
Effects of overseas tax	4,200	-	4,200	4,208	(100)	4,108
Deferred tax assets not recognised	3,330	710	4,040	3,328	832	4,160
Loss on disposal of office premises	-	-	-	-	1	1
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	2,076	5,913	7,989	2,487	(1,875)	612
Tax expense for the year/period	4,249	103	4,352	2,562	100	2,662

£000	Company			Company		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
UK corporation tax at 24.5% (26.35%)	(34)	-	(34)	(35)	-	(35)
Prior year adjustment	(13)	-	(13)	19	-	19
Overseas taxation	4,250	-	4,250	5,088	(100)	4,988
	4,203	-	4,203	5,072	(100)	4,972
Deferred taxation	49	-	49	297	-	297
	4,252	-	4,252	5,369	(100)	5,269

Corporation tax is calculated at the average rate of 24.5% (26.35%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statements as follows:

£000	Company			Company		
	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total	Dec 11 Revenue	Dec 11 Capital	Dec 11 Total
Profit/(Loss) before tax	59,819	201,877	261,696	67,267	(257,663)	(190,396)
Tax at the average UK corporation tax rate of 24.5% (26.35%)	14,656	49,460	64,116	17,725	(67,895)	(50,170)
Non taxable dividend income	(16,373)	-	(16,373)	(19,442)	-	(19,442)
(Losses)/gains on investments not taxable	-	(48,159)	(48,159)	-	67,147	67,147
Prior year adjustment	(13)	-	(13)	890	-	890
Foreign exchange adjustments	-	(2,211)	(2,211)	-	(336)	(336)
Effect of changes in tax rates	(50)	-	(50)	(29)	-	(29)
Effects of overseas tax	4,146	-	4,146	4,208	(100)	4,108
Deferred tax asset not recognised	1,688	710	2,398	1,339	832	2,171
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	198	200	398	678	252	930
Tax expense for the year/period	4,252	-	4,252	5,369	(100)	5,269

7 Dividends

£000	Dec 12	Dec 11
Fourth interim dividend for the year ended 31 January 2011 of 2.2075p per share	-	14,475
First interim dividend for the period ended 31 December 2011 of 2.141p per share	-	13,682
Second interim dividend for the period ended 31 December 2011 of 2.141p per share	-	13,147
Third interim dividend for the period ended 31 December 2011 of 2.141p per share	-	12,786
Fourth interim dividend for the period ended 31 December 2011 of 2.577p per share	14,986*	-
First interim dividend for the year ended 31 December 2012 of 2.3175p per share	13,269	-
Second interim dividend for the year ended 31 December 2012 of 2.3175p per share	13,005	-
Third interim dividend for the year ended 31 December 2012 of 2.3175p per share	12,977	-
	54,237	54,090

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158/1159 of the Corporation Tax Act 2010 are considered.

First interim dividend for the period ended 31 December 2011 of 2.141p per share	-	13,682
Second interim dividend for the period ended 31 December 2011 of 2.141p per share	-	13,147
Third interim dividend for the period ended 31 December 2011 of 2.141p per share	-	12,786
Fourth interim dividend for the period ended 31 December 2011 of 2.577p per share	-	15,137
First interim dividend for the year ended 31 December 2012 of 2.3175p per share	13,269	-
Second interim dividend for the year ended 31 December 2012 of 2.3175p per share	13,005	-
Third interim dividend for the year ended 31 December 2012 of 2.3175p per share	12,977	-
Fourth interim dividend for the year ended 31 December 2012 of 2.3175p per share	12,973	-
	52,224	54,752
Special dividend for the year ended 31 December 2012 of 0.36p per share	2,015	-
	54,239	54,752

* December 2011 figures have been adjusted to reflect share buy backs

8 Earnings per share

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

	Group			Group		
	Dec 12	Dec 12	Dec 12	Dec 11	Dec 11	Dec 11
	Revenue	Capital	Total	Revenue	Capital	Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to equity holders of the parent (£000)	49,104	200,541	249,645	55,893	(248,724)	(192,831)
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			570,233,465			627,212,088
Weighted average number of ordinary shares for the purposes of diluted earnings per share			572,003,682			628,982,298
	Company			Company		
	Dec 12	Dec 12	Dec 12	Dec 11	Dec 11	Dec 11
	Revenue	Capital	Total	Revenue	Capital	Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to equity shareholders (£000)	55,567	201,877	257,444	61,898	(257,563)	(195,665)
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			570,233,465			627,212,088
Weighted average number of ordinary shares for the purposes of diluted earnings per share			572,003,682			628,982,298

The diluted figure is the weighted average of the entire number of shares in issue.

To arrive at the basic figure the number of shares has been reduced by 1,770,218 (1,770,212) ordinary shares held by the Trustee of the Employee Benefit Trust ("EBT"). During the period the Trustee increased its holding by 6 shares (9). Nil (nil) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

IAS 33.41 requires that shares should only be treated as dilutive if they decrease earnings per share or increase the loss per share.

9 Non-current assets

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Investments designated at fair value through Profit and Loss:				
Investments listed on recognised investment exchange	2,607,869	2,533,426	1,982,318	2,005,395
Credit default swaps held at fair value through Profit and Loss	(3,189)	-	-	-
Total Investments	2,604,680	2,533,426	1,982,318	2,005,395
Unlisted investments	117,362	92,189	50,828	55,492
Investment in collective investment schemes (subsidiary companies, note 10)	-	-	478,444	421,460
Investments in related and subsidiary companies (note 10)	-	-	122,403	78,229
	2,722,042	2,625,615	2,633,993	2,560,576
Investment property†	9,120	9,775	9,120	9,775
	2,731,162	2,635,390	2,643,113	2,570,351

† The Company holds the investment property through a subsidiary Limited Partnership, Alliance Trust Real Estate Partners LP.

The Group and Company invest in over the counter derivative instruments including credit default swaps and interest rate swaps through its investment in Alliance Trust Investment Funds (ATIF), a UK domiciled Open Ended Investment Fund.

At 31 December 2012 the market value of the derivative instruments within the ATIF funds amounted to (£3.2m) (2011: Nil), as a result of the open credit default swaps at the year end. There were no interest rate swaps open at the year end.

At 31 December 2012 we had bought and sold protection for the following notional amounts.

£000	Market Value	Bought	Sold	Total
Single name credit default swaps	(348)	33,800	(7,000)	26,800
iTraxx credit default swaps	(2,841)	44,000	(21,500)	22,500
Total	(3,189)	77,800	(28,500)	49,300

The investments in the ATIF funds including all open credit default swaps are included within Listed Investments below for both Company and Group and further information is included in Note 23.5.

December 2011 £000	Group			Total
	Listed Investments	Investment Property	Unlisted Investments	
Opening book cost as at 1 February 2011	2,518,596	44,381	145,416	2,708,393
Opening unrealised appreciation/(depreciation)	584,884	(15,866)	(11,282)	557,736
Opening valuation as at 1 February 2011	3,103,480	28,515	134,134	3,266,129
Movements in the period				
Purchases at cost	1,273,158	-	29,736	1,302,894
Sales – proceeds	(1,597,507)	(18,500)	(63,776)	(1,679,783)
– realised gains/(losses) on sales	115,927	(8,746)	1,336	108,517
(Decrease)/Increase in appreciation on assets held	(361,632)	8,506	(9,241)	(362,367)
Closing valuation as at 31 December 2011	2,533,426	9,775	92,189	2,635,390

Closing book cost	2,310,174	17,135	112,712	2,440,021
Closing appreciation/(depreciation) on assets held	223,252	(7,360)	(20,523)	195,369
Closing valuation as at 31 December 2011	2,533,426	9,775	92,189	2,635,390

December 2012**Group**

£000	Listed Investments	Investment Property	Unlisted Investments	Total
Opening book cost as at 1 January 2012	2,310,174	17,135	112,712	2,440,021
Opening unrealised appreciation/(depreciation)	223,252	(7,360)	(20,523)	195,369
Opening valuation as at 1 January 2012	2,533,426	9,775	92,189	2,635,390

Movements in the year

Purchases at cost	1,511,388	220	25,539	1,537,147
Sales – proceeds	(1,655,898)	(63)	(5,915)	(1,661,876)
– realised gains/(losses) on sales	150,226	-	(12,783)	137,443
Increase/(Decrease) in appreciation on assets held	65,538	(812)	18,332	83,058
Closing valuation as at 31 December 2012	2,604,680	9,120	117,362	2,731,162
Closing book cost	2,315,889	17,293	119,552	2,452,734
Closing appreciation/(depreciation) on assets held	288,791	(8,173)	(2,190)	278,428
Closing valuation as at 31 December 2012	2,604,680	9,120	117,362	2,731,162

December 2011**Company**

£000	Listed Investments	Investment Property	Related and Subsidiary Companies	Unlisted Investments	Total
Opening book cost as at 1 February 2011	2,417,976	44,381	133,260	78,312	2,673,929
Opening unrealised appreciation/(depreciation)	585,424	(15,866)	(34,484)	(7,849)	527,225
Opening valuation as at 1 February 2011	3,003,400	28,515	98,776	70,463	3,201,154

Movements in the period

Purchases at cost*	1,226,766	-	37,160	7,476	1,271,402
Sales – proceeds*	(1,565,165)	(18,500)	(46,658)	(17,058)	(1,647,381)
– realised gains/(losses) on sales	123,486	(8,746)	1,797	(347)	116,190
(Decrease)/Increase in appreciation on assets held	(361,632)	8,506	(12,846)	(5,042)	(371,014)
Closing valuation as at 31 December 2011	2,426,855	9,775	78,229	55,492	2,570,351
Closing book cost	2,203,063	17,135	125,558	68,383	2,414,139
Closing appreciation/(depreciation) on assets held	223,792	(7,360)	(47,329)	(12,891)	156,212
Closing valuation as at 31 December 2011	2,426,855	9,775	78,229	55,492	2,570,351

December 2012**Company**

£000	Listed Investments	Investment Property	Related and Subsidiary Companies	Unlisted Investments	Total
Opening book cost as at 1 January 2012	2,203,063	17,135	125,558	68,383	2,414,139
Opening unrealised appreciation/(depreciation)	223,792	(7,360)	(47,329)	(12,891)	156,212
Opening valuation as at 1 January 2012	2,426,855	9,775	78,229	55,492	2,570,351

Movements in the year

Purchases at cost*	1,493,672	220	39,038	3,246	1,536,176
Sales – proceeds*	(1,655,898)	(63)	(814)	(5,104)	(1,661,879)
– realised gains/(losses) on sales	130,597	-	1,375	(14,522)	117,450
Increase/(Decrease) in appreciation on assets held	65,536	(812)	4,575	11,716	81,015
Closing valuation as at 31 December 2012	2,460,762	9,120	122,403	50,828	2,643,113

Closing book cost	2,171,434	17,293	165,157	52,004	2,405,888
Closing appreciation/(depreciation) on assets held	289,328	(8,173)	(42,754)	(1,176)	237,225
Closing valuation as at 31 December 2012	2,460,762	9,120	122,403	50,828	2,643,113

* Expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from the sale proceeds. These expenses amount to £3,062,000 for purchases (£3,294,000) and £2,651,000 for sales (£3,310,900).

A geographical analysis of the investment portfolio by broad industrial or commercial sector together with a list of the quoted equity investments in the portfolio is given on pages 13, 18 and 19. Both are unaudited.

The investment properties were valued as at 31 December 2012 by DTZ on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The historic cost of the investment properties is £17,293,000 (£17,135,000).

£000	Group and Company Office premises freehold/heritable property
Valuation at 31 January 2011	6,270
Disposal*	(245)
Valuation at 31 December 2011	6,025
Revaluation	(1,900)
Valuation at 31 December 2012	4,125

At 31 December 2012 DTZ, an independent Chartered Surveyor, valued the office premises at 8 West Marketgait, Dundee at £4.125m on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The historic cost of the building as at 31 December 2012 was £12.7m.

* In the period ended 31 December 2011 the company sold its previous head office for £240,000. The historic cost of the building at the date of sale was £245,000.

£000	Group	Company
Other Fixed Assets		
Opening book cost at 1 February 2011	91	50
Additions	-	-
Disposals	-	-
Book cost at 31 December 2011	91	50
Additions	663	184
Disposals	-	-
Book cost at 31 December 2012	754	234
Opening depreciation at 1 February 2011	(64)	(23)
Depreciation charge	(12)	(12)
Disposals	-	-
Depreciation at 31 December 2011	(76)	(35)
Depreciation charge	(91)	(42)
Disposals	-	-
Depreciation at 31 December 2012	(167)	(77)
Net book value at 31 December 2011	15	15
Net book value at 31 December 2012	587	157

10 Subsidiaries

The results of the following subsidiary companies and partnerships are consolidated in the Group accounts.

Name	Shares held	Country of incorporation	Principal Activity
Alliance Trust Savings Limited ('ATS')	Ordinary	Scotland	Provision and administration of investment and pension products
Alliance Trust (Finance) Limited ('ATF')	Ordinary	Scotland	Asset holding
AT2006 Limited ('AT2006')	Ordinary	Scotland	Intermediate holding company
Alliance Trust Pension Limited ('ATP')	Ordinary	England	Pension Trustee
Second Alliance Trust Limited ('SATL')	Ordinary	Scotland	Inactive
Second Alliance Leasing Limited ('SAL')	Ordinary	Scotland	Leasing
Alliance Trust Real Estate Partners (GP) Limited ('ATREP')	Ordinary	Scotland	Real estate general partner
Alliance Trust Real Estate Partners LP	-	Scotland	Limited Partnership
Alliance Trust Asset Management Limited (branded Alliance Trust Investments 'ATI')	Ordinary	Scotland	Investment management
Alliance Trust Services Limited ('ATSL')	Ordinary	Scotland	Service company
Alliance Trust Equity Partners (Holdings) Limited ('ATEP')	Ordinary	Scotland	Intermediate holding company
Alliance Trust Equity Partners Limited ('ATEPL')	Ordinary	Scotland	Investment management
Albany Venture Managers GP Limited ('AVMGP')	Ordinary	Scotland	Private equity general partner
Alliance Trust (PE Manco) Limited ('AT PE Manco')	Ordinary	Scotland	Investment company
ATEP 2008 GP Limited ('ATEP 2008GP')	Ordinary	Scotland	Private equity general partner
ATEP 2009 GP Limited ('ATEP 2009GP')	Ordinary	Scotland	Private equity general partner
Allsec Nominees Limited	Guarantee	Scotland	Nominee
Alliance Trust Savings Nominees Limited	Guarantee	Scotland	Nominee
Alliance Trust Investment Funds ('ATIF')	Ordinary	Scotland	UK domiciled Open Ended Investment Company

At 31 December 2012 the Company owned 100% of ATS, ATF, AT2006, SAL, ATREP, ATSL, ATI, ATEP and AT PE Manco.

ATS owned 100% of ATP, AT2006 owned 100% of SATL, ATEP owned 100% of ATEPL, AVMGP, ATEP 2008GP and ATEP 2009GP.

Investments in subsidiary companies are valued in the Company's accounts at £122,403,000 (£78,229,000) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association. This includes Alliance Trust Savings Limited at £24.7m (2011: £17.1m) and Alliance Trust Asset Management Limited at £10.1m (2011: £1.8m), our two main trading subsidiaries.

This represents the Directors' view of the amount for which the subsidiaries could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that the Company has any intention to sell the subsidiary businesses in the future.

The Directors have used several valuation methodologies as prescribed in the guidelines to arrive at their best estimate of fair value, including discounted cash flow calculations, revenue and earnings multiples and recent market transactions where available.

The Company has seed funded Alliance Trust Investment Funds Limited ('ATIF'), a UK domiciled Open Ended Investment Company (OEIC).

As at 31 December 2012 the Company held the following proportions of each class of share in ATIF. The value of the shares held by the Company is also given below:

	Dec 12 Proportion %	Dec 12 Value £000	Dec 11 Proportion %	Dec 11 Value £000
UK Equity Income Fund	-	-	91.1	41,010
North American Equity Fund	76.6	45,240	79.0	41,670
European Equity Income Fund	92.6	48,537	74.6	9,397
Monthly Income Bond Fund	52.6	169,630	49.3	102,273
Asia Pacific Equity Fund	-	-	95.1	42,450
Japan Equity Fund	-	-	89.5	30,388
Global Thematic Opportunities Fund	97.6	164,087	100.0	154,272
Dynamic Bond Fund	99.6	50,950	-	-
	73.2	478,444	76.5	421,460

11 Intangible assets

£000	Group	Company
	Technology systems	Technology systems
Opening book cost at 1 February 2011	8,834	2,168
Additions	985	267
Book cost at 1 January 2012	9,819	2,435
Additions	512	102
Book cost at 31 December 2012	10,331	2,537
Opening amortisation at 1 February 2011	(6,489)	(1,626)
Amortisation	(1,732)	(419)
Amortisation at 1 January 2012	(8,221)	(2,045)
Amortisation	(702)	(172)
Amortisation as at 31 December 2012	(8,923)	(2,217)
Carrying amount as at 31 December 2011	1,598	390
Carrying amount as at 31 December 2012	1,408	320

Amortisation is included within administrative expenses in the income statement.

12 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and Company and movements thereon during the current and prior reporting period:

Group £000	Retirement Benefit Obligations	Accelerated Tax Depreciation	Tax Losses	Foreign Tax	Other	Total
	At 31 January 2011 – asset/(liability)	104	(133)	-	(152)	60
Income statement – DT credit	46	13	744	152	131	1,086
Income statement – DT (charge)	(1,386)	-	(27)	-	(1)	(1,414)
Equity – DT credit	449	-	-	-	-	449
At 31 December 2011 – (liability)/asset	(787)	(120)	717	-	190	-
Income statement – DT credit	108	120	331	-	-	559
Income statement – DT (charge)	(359)	-	(58)	-	(190)	(607)
Equity – DT credit	48	-	-	-	-	48
At 31 December 2012 – (liability)/asset	(990)	-	990	-	-	-

At the balance sheet date, the Group had unused tax losses of £64.3m (£47.6m) available for offset against future profits. There are unrecognised deferred tax assets of £14.8m (£11.9m) in respect of unused tax losses, £1.5m (£1.5m) in relation to fixed asset timing differences, and £0.1m (£0.1m) in relation to short term timing differences.

The Directors have not recognised the deferred tax asset due to uncertainty over the timing of future profits.

Company

£000	Retirement Benefit Obligations	Accelerated Tax Depreciation	Tax Losses	Foreign Tax	Other	Total
At 31 January 2011 – asset/(liability)	104	(151)	-	(152)	47	(152)
Income statement – DT credit	46	31	744	152	144	1,117
Income statement – DT (charge)	(1,386)	-	(27)	-	(1)	(1,414)
Equity DT credit	449	-	-	-	-	449
At 31 December 2011 – (liability)/asset	(787)	(120)	717	-	190	-
Income statement – DT credit	108	120	331	-	-	559
Income statement – DT (charge)	(359)	-	(58)	-	(190)	(607)
Equity – DT credit	48	-	-	-	-	48
At 31 December 2012 – (liability)/asset	(990)	-	990	-	-	-

At the balance sheet date, the Company had unused tax losses of £12.9m (£9.9m) available for offset against future profits.

There are unrecognised deferred tax assets of £5.0m (£2.5m) in relation to unused tax losses and £0.1m (Nil) in relation to fixed assets and other timing differences.

The Directors have not recognised the deferred tax asset due to uncertainty over the timing of future profits.

13 Outstanding settlements and other receivables

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Sales of investments awaiting settlement	9,944	173,691	-	7,112
Dividends receivable	2,941	4,336	2,941	4,336
Other income receivable	1,491	1,963	346	701
Amounts due from subsidiary companies	-	-	9,531	9,529
Other debtors	9,506	10,654	1,296	493
	23,882	190,644	14,114	22,171

The Directors consider that the carrying amount of other receivables approximates to their fair value.

Of the £9.5m (£9.5m) due from subsidiary companies, £7.1m (£7.1m) is due after more than one year.

14 Outstanding settlements and other payables

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Purchases of investments awaiting settlement	7,143	156,159	347	3,002
Amounts due to depositors	316,978	282,233	-	-
Amounts due to third party investors in subsidiary OEIC	171,270	125,193	-	-
Amounts due to subsidiary companies	-	-	916	817
Dividends payable	-	12,780	-	12,780
Other creditors	28,214	24,174	4,334	6,062
	523,605	600,539	5,597	22,661

The Directors consider that the carrying amount of other payables approximates to their fair value.

15 Bank loans

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Bank loans repayable within one year	200,000	248,768	200,000	248,768
Analysis of borrowings by currency:				
Bank loans – Sterling	200,000	200,000	200,000	200,000
Bank loans – Euros	-	48,768	-	48,768
The weighted average % interest rates payable:				
Bank loans	1.57%	2.02%	1.57%	2.02%
The Directors estimate the fair value of the borrowings to be:				
Bank loans	200,000	248,768	200,000	248,768

16 Share capital

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Authorised: *				
– 720,000,000 ordinary shares of 2.5p each	18,000	18,000	18,000	18,000
Allotted, called up and fully paid:				
– 561,579,146 ordinary shares of 2.5p each	14,040	14,833	14,040	14,833

The Company has one class of ordinary share which carries no right to fixed income.

The Employee Benefit Trust holds 1,770,218 (1,770,212) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee increased its holding by 6 shares (9). Nil (nil) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

* At the Company's AGM on 20 May 2011 new Articles of association were adopted which removed the requirement, which was abolished by the Companies Act 2006, for the Company to have an authorised share capital limit.

Share Buy Back £000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Ordinary shares of 2.5p each				
Opening share capital	14,833	16,527	14,833	16,527
Share buy back	(793)	(1,694)	(793)	(1,694)
Closing share capital	14,040	14,833	14,040	14,833

Capital Management Policies and Procedures

The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 4. This is undertaken by the Asset Allocation Committee within parameters set by the Board.

The Company does not have any externally imposed capital requirements.

The Group and its financial services subsidiaries comply with the capital requirements of their relevant regulators, including the Capital Requirements Directive.

17 Reserves

Group

£000	Share Capital	Capital Reserves	Merger Reserve	Capital Redemption Reserve	Revenue Reserve	Total
Net assets at 31 Jan 2011	16,527	2,158,630	645,335	2,471	71,541	2,894,504
Dividends	-	-	-	-	(54,090)	(54,090)
Unclaimed dividends	-	-	-	-	4	4
(Loss)/profit for period	-	(248,724)	-	-	55,893	(192,831)
Own shares purchased	(1,694)	(245,534)	-	1,694	-	(245,534)
Defined benefit plan						
net actuarial loss	-	(318)	-	-	-	(318)
Share based payments	-	1,638	-	-	-	1,638
Net assets at 31 Dec 2011	14,833	1,665,692	645,335	4,165	73,348	2,403,373
Dividends	-	-	-	-	(54,237)	(54,237)
Unclaimed dividends	-	-	-	-	(13)	(13)
Profit for year	-	200,541	-	-	49,104	249,645
Own shares purchased	(793)	(112,721)	-	793	-	(112,721)
Defined benefit plan						
net actuarial loss	-	(357)	-	-	-	(357)
Share based payments	-	1,213	-	-	-	1,213
Net assets at 31 Dec 2012	14,040	1,754,368	645,335	4,958	68,202	2,486,903

Company

£000	Share Capital	Capital Reserves	Merger Reserve	Capital Redemption Reserve	Revenue Reserve	Total
Net assets at 31 Jan 2011	16,527	2,131,651	645,335	2,471	98,520	2,894,504
Dividends	-	-	-	-	(54,090)	(54,090)
Unclaimed dividends	-	-	-	-	4	4
(Loss)/profit for period	-	(257,563)	-	-	61,898	(195,665)
Own shares purchased	(1,694)	(245,534)	-	1,694	-	(245,534)
Defined benefit plan						
net actuarial loss	-	(318)	-	-	-	(318)
Share based payments	-	893	-	-	-	893
Net assets at 31 Dec 2011	14,833	1,629,129	645,335	4,165	106,332	2,399,794
Dividends	-	-	-	-	(54,237)	(54,237)
Unclaimed dividends	-	-	-	-	(13)	(13)
Profit for year	-	201,877	-	-	55,567	257,444
Own shares purchased	(793)	(112,721)	-	793	-	(112,721)
Defined benefit plan						
net actuarial loss	-	(357)	-	-	-	(357)
Share based payments	-	709	-	-	-	709
Net assets at 31 Dec 2012	14,040	1,718,637	645,335	4,958	107,649	2,490,619

The reserves distributable by way of a dividend are £107.6m (£106.3m) which is represented by the revenue reserves. Share buy backs are funded through realised capital reserves.

18 Net Asset Value per Ordinary Share

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

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Equity shareholder funds	2,486,903	2,403,373	2,490,619	2,399,794
Number of shares at year end - Basic	559,808,928	591,530,934	559,808,928	591,530,934
Number of shares at year end - Diluted	561,579,146	593,301,146	561,579,146	593,301,146

The diluted figure is the entire number of shares in issue.

To arrive at the basic figure the number of shares has been reduced by 1,770,218 (1,770,212) shares held by the Trustee of the Employee Benefit Trust. During the year the Trustee increased its holding by 6 (9). Nil (nil) shares were transferred from the Employee Benefit Trust to participants in the LTIP in satisfaction of awards.

19 Segmental Reporting

Alliance Trust PLC has identified two operating segments as 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, both complementary to the core business of investing in various asset classes to generate increasing value over the long term.

The Group's primary operating segments are the Company, Alliance Trust Savings (ATS) and Alliance Trust Investments (ATI). The disclosures below for ATI do not include the unit creations and cancellations in the ATIF since these do not have any impact on the operational performance of the Company.

The Company is a self-managed investment trust. ATS provides share dealing and pension administration services. ATI is an investment management company.

ATI earns net revenue on the capital invested by Alliance Trust in the funds it manages with such fees market referenced to that appropriate for a seed capital investor. Alliance Trust includes such fees in its Administrative expenses. The costs of the Fixed Income and the SRI team (from August 2012) are charged 100% to ATI. The costs of the Global team who also manage the equity portfolio of Alliance Trust are split between ATI and Alliance Trust according to the average assets under administration during the year.

ATS bears its own direct costs.

Both ATS and ATI are also allocated a share of indirect expenses according either to the subsidiaries service usage or according to average headcount.

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 profit before tax. Intersegment sales and transfers are accounted for on an arm's length basis.

All operating segments operate within the United Kingdom.

£000	Company	Year ended 31 December 2012				
		ATS (continuing) operations	ATS (discontinuing) operations	ATS Total	ATI	Total
Revenue						
Investment gains	198,466	-	-	-	-	198,466
Net interest income	491	2,582	-	2,582	32	3,105
Non interest income	79,556	7,000	4,812	11,812	3,819	95,187
Segment revenue	278,513	9,582	4,812	14,394	3,851	296,758
Expenditure						
Foreign exchange gains	(9,026)	-	-	-	-	(9,026)
Depreciation and amortisation	214	530	-	530	91	835
Other expenses	25,629	9,496	5,131	14,627	10,323	50,579
Total expenses	16,817	10,026	5,131	15,157	10,414	42,388
Operating profit/(loss) before tax	261,696	(444)	(319)	(763)	(6,563)	254,370
Gain on sale of SSAS	-	-	366	366	-	366
Segment profit/(loss) before tax	261,696	(444)	47	(397)	(6,563)	254,736

We have not disclosed the split between ATS continuing and discontinuing operations on the face of the primary statements as the Directors do not believe this to be material in terms of the Group results.

£000	Company	Period ended 31 December 2011				ATI	Total
		ATS (continuing) operations	ATS (discontinuing) operations	ATS Total			
Revenue							
Investment (loss)/gain	(254,824)	-	763	763	-	(254,061)	
Net interest income	349	2,587	-	2,587	44	2,980	
Non interest income	84,768	4,266	4,589	8,855	1,728	95,351	
Segment revenue	(169,707)	6,853	5,352	12,205	1,772	(155,730)	
Expenditure							
Foreign exchange gains	(1,275)	-	-	-	-	(1,275)	
Depreciation and amortisation	431	1,244	-	1,244	64	1,739	
Other expenses	21,533	7,951	6,157	14,108	6,537	42,178	
Total expenses	20,689	9,195	6,157	15,352	6,601	42,642	
Segment loss before tax	(190,396)	(2,342)	(805)	(3,147)	(4,829)	(198,372)	

Reconciliation of reportable segment revenues and profit/(loss) before tax to consolidated accounts

Revenue £000	Year ended 31 December 2012	Period ended 31 December 2011
Total revenues for reportable segments	296,758	(155,730)
Other revenues	96,540	(9,684)
Elimination of intersegment revenues	(1,519)	(4,164)
Elimination of movement in investment in subsidiaries	(66,018)	20,337
Consolidated revenue	325,761	(149,241)
Expenditure		
Total depreciation and amortisation	835	1,739
Other expenses	70,929	39,189
Consolidated expenses	71,764	40,928

Profit/(Loss) £000	Year ended 31 December 2012	Period ended 31 December 2011
Total profit/(loss) for reportable segments	254,736	(198,372)
Elimination of movement in investment in subsidiaries	(739)	8,203
Consolidated profit/(loss) before tax	253,997	(190,169)

Assets and liabilities

£000	Year ended 31 December 2012			
	Company	ATS	ATI	Total
Reportable segment assets	2,701,566	359,661	13,342	3,074,569
Reportable segment liabilities	(210,947)	(340,810)	(4,734)	(556,491)
Total net assets	2,490,619	18,851	8,608	2,518,078

Assets and liabilities

£000	Period ended 31 December 2011			
	Company	ATS	ATI	Total
Reportable segment assets	2,676,326	321,181	4,528	3,002,035
Reportable segment liabilities	(276,532)	(304,054)	(2,742)	(583,328)
Total net assets	2,399,794	17,127	1,786	2,418,707

Reconciliation of reportable segment assets to consolidated amounts

Revenue £000	Year ended 31 December 2012	Period ended 31 December 2011
Reportable segment assets	3,074,569	3,002,035
Third party assets and other subsidiaries	137,912	252,097
Consolidated assets	3,212,481	3,254,132

Reconciliation of reportable segment liabilities to consolidated amounts

Revenue	Year ended	Period ended
£000	31 December 2012	31 December 2011
Reportable segment liabilities	(556,491)	(583,328)
Third party liabilities and amounts due to third party investors in subsidiary OEIC	(169,087)	(267,431)
Consolidated liabilities*	(725,578)	(850,759)

*Consolidated liabilities include current and non current liabilities.

20 Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation.

Entities within the Group may purchase goods or services for other entities within the Group and recharge these costs directly to the appropriate entity that the costs relate to.

There are no other related parties other than the members of the Group.

During the year the following amounts were reimbursed/(repaid).

Alliance Trust Services	Year ended	Period ended
£000	31 December 2012	31 December 2011
Paid by Alliance Trust (the Company)	16,461	9,844
Paid to Alliance Trust (the Company)	(11,631)	(6,159)
	4,830	3,685
Paid by Alliance Trust Savings Limited	19,746	10,248
Paid to Alliance Trust Savings Limited	(2,134)	(152)
	17,612	10,096
Paid by Alliance Trust Investments	9,977	3,623
Paid to Alliance Trust Investments	(541)	(12)
	9,436	3,611
Paid by Alliance Trust Equity Partners (Holdings) Limited	295	712
Paid to Alliance Trust Equity Partners (Holdings) Limited	(32)	(31)
	263	681
Paid by Alliance Trust Real Estate Partners LP	-	-
Paid to Alliance Trust Real Estate Partners LP	(6)	-
	(6)	-
Paid by Alliance Trust (Finance) Limited	8	-
Paid to Alliance Trust (Finance) Limited	(4)	-
	4	-

Transactions with key management personnel

Details of the Executive and Non Executive Directors are disclosed in the Governance section of the report on pages 30 and 32.

Their remuneration and other compensation including pension cost is summarised below.

For the purpose of IAS 24 'Related Party Disclosures', key management personnel comprise the members of the Executive Committee (the Chief Executive and senior management) plus the non executive Directors of the Company.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Total emoluments	3,330	3,480	1,919	1,693
Payments to former key management personnel	678	-	71	-
Post retirement benefits	86	48	28	24
Equity compensation benefits	912	1,333	574	701
	5,006	4,861	2,592	2,418

21 Analysis of change in net cash/(debt)

Group

£000	Jan 11	Cash flow	Exchange		Dec 11	Cash flow	Exchange	
			gains				gains	Dec 12
Cash and cash equivalents	295,355	119,292	788		415,435	27,887	1,594	444,916
Bank loans	(338,997)	90,229	-		(248,768)	48,768	-	(200,000)
Net (debt)/cash	(43,642)	209,521	788		166,667	76,655	1,594	244,916

Company

£000	Jan 11	Cash flow	Exchange		Dec 11	Cash flow	Exchange	
			gains				gains	Dec 12
Cash and cash equivalents	27,511	44,050	788		72,349	(40,602)	1,589	33,336
Bank loans	(338,997)	90,229	-		(248,768)	48,768	-	(200,000)
Net (debt)/cash	(311,486)	134,279	788		(176,419)	8,166	1,589	(166,664)

22 Financial commitments

Financial commitments as at 31 December 2012, which have not been accrued, for the Group and the Company totalled £61,186,000 (£87,960,000).

These were in respect of uncalled subscriptions in investments structured as limited partnerships of which £61,186,000 relates to investments in our private equity portfolio. These LP 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.

A maturity analysis of the expiry dates of these LP commitments is presented below:

£000	Group and Company	
	Dec 12	Dec 11
< 1 year	-	-
1-5 years	3,387	3,489
5-10 years	57,799	84,471
	61,186	87,960

The Company has provided letters of comfort in connection with banking facilities made available to certain of its subsidiaries.

On 25 March 2011 the Company granted a floating charge of up to £30,000,000 over its listed investments to the Trustees of the Alliance Trust Companies Pension Fund.

23 Financial instruments and Risk

The Directors' Report details the Company's approach to investment risk management on pages 24 and 25 and the accounting policies on pages 55 to 59 explain the basis on which currencies and investments are valued for accounting purposes.

The Directors are of the opinion that the fair values of financial assets and liabilities of the Company and the Group are not materially different to their carrying values.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the use of debt and equity balances. The Group and Company's overall strategy remains unchanged from the period ended 31 December 2011.

The capital structure of the Group and the Company consists of cash and cash equivalents, debt, which includes the borrowings disclosed in Note 15 and equity attributable to equity holders of the Company comprising issued capital, reserves and retained earnings as disclosed in Note 17 to the financial statements.

The Board reviews the capital structure of the Company and the Group on an at least semi-annual basis. The Group and the Company have decided that net gearing should at no time exceed 30% of the net assets of either the Group or the Company.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Debt	(200,000)	(248,768)	(200,000)	(248,768)
Cash and cash equivalents	444,916	415,435	33,336	72,349
Net cash/(debt)	244,916	166,667	(166,664)	(176,419)
Net cash/(debt) as % of net assets	9.8%	6.9%	(6.7%)	(7.3%)

Risk management policies and procedures

As an investment trust the Company invests in equities, investment property, private equity, financial instruments and its subsidiary businesses for the long term in order to achieve the investment objectives set out on page 4. In pursuing these objectives the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for payment as dividends.

The principal financial instruments at risk comprise those in the Company's investment portfolio and this note addresses these risks below. The Group has certain additional risks, and these are detailed in the appropriate sections below.

These risks and the Directors' approach to managing them are set out below under the following headings: market risk (comprising currency risk, interest rate risk, and other price risk), credit risk, liquidity risk, and gearing risk.

The Group has a risk management framework in place which is described in detail on pages 24 and 25. The objectives, policies and processes for managing the risks, and the methods used to measure the risks have not changed from the previous accounting period.

23.1 Market Risk

Market risk embodies the potential for both losses and gains and includes currency risk (see note 23.2), interest rate risk (see note 23.3) and other price risk (see note 23.4). Market risk is managed on a regular basis by the Asset Allocation Committee. The purpose of this executive committee is to manage the capital of the Company within parameters set by the Directors on investment and asset allocation strategies and risk.

The Company's strategy on investment risk is outlined in our statement of investment objectives and policy on page 4.

Details of the investment portfolio at the balance sheet date are disclosed on pages 13, 18 and 19.

23.2 Currency Risk

Some of the Group's assets, liabilities and transactions are denominated in currencies other than its functional currency of Sterling. Consequently the Group is exposed to the risk that movements in exchange rates may affect the Sterling value of those items.

The Group's currency holdings and gains/losses thereon are reviewed regularly by the Directors, and the currency risk is managed on a regular basis by the Asset Allocation Committee within parameters set by the Directors on investment and asset allocation strategies and risk. The Group enters into forward foreign exchange contracts to cover specific foreign currency exposure.

The currency exposure for overseas investments is based on the quotation currency of each holding, while the currency exposure for net monetary assets is based on the currency that each asset or liability is denominated in. At the reporting date the Group had the following exposures:

Currency Exposure (Group)

£000	Overseas	Net monetary	Total currency	Overseas	Net monetary	Total currency
	investments	assets	exposure	investments	assets	exposure
	Dec 12	Dec 12	Dec 12	Dec 11	Dec 11	Dec 11
US Dollar	829,861	4,123	833,984	498,097	2,310	500,407
Euro	237,484	983	238,467	257,153	12	257,165
Yen	28,975	-	28,975	118,492	2,859	121,351
Other non-Sterling	380,355	263	380,618	363,960	4,377	368,337
	1,476,675	5,369	1,482,044	1,237,702	9,558	1,247,260

Currency Exposure (Company)

£000	Overseas	Net monetary	Total currency	Overseas	Net monetary	Total currency
	investments	assets	exposure	investments	assets	exposure
	Dec 12	Dec 12	Dec 12	Dec 11	Dec 11	Dec 11
US Dollar	829,861	4,123	833,984	498,097	2,310	500,407
Euro	237,484	983	238,467	257,153	12	257,165
Yen	28,975	-	28,975	118,492	2,859	121,351
Other non-Sterling	380,355	263	380,618	363,960	4,377	368,337
	1,476,675	5,369	1,482,044	1,237,702	9,558	1,247,260

Sensitivity analysis

If Sterling had strengthened by 5% (5%) relative to all currencies, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis is performed on the same basis for the period ended 31 December 2011. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income Statement				
Revenue return	(1,764)	(1,392)	(1,764)	(1,392)
Capital return	(73,834)	(61,885)	(73,834)	(61,885)
Net Assets	(75,598)	(63,277)	(75,598)	(63,277)

A 5% (5%) weakening of Sterling against the above currencies would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

23.3 Interest Rate Risk

The Group is exposed to interest rate risk in a number of ways. A movement in interest rates may affect the fair value of investments in fixed interest rate securities, income receivable on cash deposits and interest payable on variable rate borrowings.

The Company finances part of its activities through borrowing at levels which are approved and monitored by the Board. The possible effects on fair value and cash flows as a result of an interest rate change are taken into account when making investment or borrowing decisions.

The Company has a financial services subsidiary, Alliance Trust Savings Ltd, which holds client deposits and pays interest on these. This subsidiary has detailed risk management policies, with treasury and cash management undertaken within a framework of banking policies. These banking policies cover credit risk, counterparty exposure, capital adequacy and liquidity. The Alliance Trust Savings Asset and Liabilities Committee reviews interest rate risk on a regular basis.

The Group uses interest rate swaps to exchange risk on the movement of interest rates where cashflows are exchanged.

The following table details the Group's and Company's exposure to interest rate risks for bank and loan balances:

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Exposure to floating interest rates				
Cash at Bank	417,927	399,952	33,336	72,349
Bank loans	(200,000)	(248,768)	(200,000)	(248,768)
	217,927	151,184	(166,664)	(176,419)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three month LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

Sensitivity analysis

If interest rates had decreased by 0.25% (0.25%), with all other variables held constant, the income statement result and the net assets attributable to equity holders of the parent would have (decreased)/increased by the amounts shown below. The revenue return impact is an estimated figure for the year based on the cash balances at the reporting date.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income Statement				
Revenue return	(700)	(614)	255	197
Capital return	167	247	167	247
Net Assets	(533)	(367)	422	444

If interest rates had increased by 0.25% (0.25%) with all other variables held constant, the income statement result and net assets attributable to equity holders of the parent would have (decreased)/increased by the amounts shown below.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income Statement				
Revenue return	(81)	(80)	(250)	(194)
Capital return	(167)	(247)	(167)	(247)
Net Assets	(248)	(327)	(417)	(441)

The Group had the following exposures to fixed interest rate investments at fair value at the reporting date.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Exposure to fixed interest rates Investments at fair value				
Bonds	322,124	209,195	6,826	7,441
Treasury bills	26,990	15,483	-	-
	349,114	224,678	6,826	7,441

Sensitivity analysis – Treasury Bills

If interest rates fell to 0% then the income statement result would increase as shown below:

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income Statement				
Revenue return	-	-	-	-
Capital return	2	1	-	-
Net Assets	2	1	-	-

23.4 Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment or its issuer, or by factors affecting all instruments traded in that market.

As the majority of the Group's financial assets are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect gains and losses on investments and net assets

The Directors manage price risk by having a suitable investment objective for the Company. The Board reviews this objective and investment performance regularly. The risk is managed on a regular basis by the Asset Allocation Committee within parameters set by the Directors on investment and asset allocation strategies and risk.

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 13, 18 and 19. This shows that the largest amount of equity investments by value is in North America, with significant amounts also in Asia, Europe and the UK. It also shows the concentration of investments in various sectors.

The following table details the Group's exposure to market price risk on its quoted and unquoted equity investments:

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Fixed Asset Investments at Fair Value through Profit & Loss				
Listed	2,607,869	2,533,426	1,982,318	2,005,395
Credit default swaps	(3,189)	-	-	-
Unlisted	117,362	92,189	50,828	55,492
Investments in Collective Investment Scheme	-	-	478,444	421,460
Investments in Related and Subsidiary Companies	-	-	122,403	78,229
Investment Property	9,120	9,775	9,120	9,775
	2,731,162	2,635,390	2,643,113	2,570,351

The Company holds the investment property through a subsidiary Limited Partnership, Alliance Trust Real Estate Partners LP.

Sensitivity analysis

93.1% (94.4%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% with all other variables remaining constant, the income statement result and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis for last year assumed a share price decrease of 10%.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income Statement				
Revenue return	-	-	-	-
Capital return	(260,468)	(253,343)	(246,076)	(242,686)
Net Assets	(260,468)	(253,343)	(246,076)	(242,686)

A 10% increase (10% increase) in share prices would have resulted in a proportionate equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

23.5 Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

This risk is managed as follows:

- Investment transactions are carried out with a number of well established, approved brokers.
- Investment transactions are done on a cash against receipt or cash against delivery basis

The Company and ATS also minimise credit risk through banking policies which restrict banking deposits to highly rated financial institutions. The policies also set maximum exposure to individual banks.

The Group has adopted a policy of only dealing with credit worthy counterparties that have been approved by the Asset Allocation Committee and obtaining sufficient collateral where appropriate (cash and gilts) as a means of mitigating the risk of financial loss from defaults.

At the reporting date, the Group's cash and cash equivalents exposed to credit risk were as follows:

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Credit Rating				
Aaa	26,990	42,810	-	9,901
Aa1	15,000	38,000	-	-
Aa2	33,135	10,095	-	-
Aa3	70,488	38,000	5,445	-
A1	-	59,375	-	20,636
A2	182,748	170,132	21,150	41,812
A3	116,555	57,023	6,741	-
	444,916	415,435	33,336	72,349
Average maturity	11 days	33 days	1 day	1 day

In addition the Company has seed funded the ATIF Monthly Income Bond Fund and the Dynamic Bond Fund which are predominantly invested in corporate bonds. At the reporting date the Fund's exposure to credit risk was as follows:

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
iBoxx Rating				
AAA	57,655	18,133	-	-
AA	10,500	9,658	-	-
A	86,890	80,451	-	-
BBB	148,794	89,957	-	-
BB	17,310	8,941	-	-
	321,149	207,140	-	-

The Company's UK listed equities and its overseas listed equities are held by Bank of New York Mellon as custodian. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed or limited.

Credit derivatives are used by way of managing the aggregate credit exposure of the Group without buying or selling a physical bond or loan.

Credit default swaps are used by the Group for two key purposes. Selling protection (going long risk) will increase the exposure to a particular reference entity. In return for taking this credit risk the Group will receive a specified income over the life of the contract but is exposed to capital losses should the reference entity breach the terms of the contract in the intervening period. The reference entity may be a named company, or in the case of iTraxx indices, a basket of credit exposures. At the 31 December 2012 the gross exposure to single name credit default swaps and iTraxx indices was £7m and £21.5m respectively (Nil and Nil) where we have sold protection.

In contrast buying protection (short risk position) on an entity to reduce the overall credit exposure where a premium will be paid in order to protect against future capital losses. At 31 December 2012 the protection purchased was £77.8m (Nil).

23.6 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

This is not a significant risk for the Company as the majority of its assets are investments in quoted equities that are readily realisable. It also has the ability to borrow, which gives it access to additional funding when required. At the balance sheet date it had the following facilities:

£000	Dec 12	Expires	Dec 11	Expires
Committed multi-currency facility – RBS	100,000	01/04/13	100,000	31/08/12
Amount drawn	50,000	-	100,000	-
Committed multi-currency facility – RBS	100,000	01/04/13	100,000	01/04/12
Amount drawn	100,000	-	100,000	-
Committed multi-currency facility – RBS	100,000	31/12/13	100,000	31/12/13
Amount drawn	-	-	-	-
Committed multi-currency facility – Santander	-	-	50,000	30/09/12
Amount drawn	-	-	48,768	-
Committed multi-currency facility – Scotiabank	100,000	22/12/14	100,000	22/12/14
Amount drawn	50,000	-	-	-
Total facilities	400,000		450,000	
Total drawn	200,000		248,768	

All the facilities are unsecured and have covenants on the maximum level of gearing and minimum net asset value of the Company.

At the reporting date the Group's financial services subsidiary, Alliance Trust Savings Ltd, held client deposits of £317m (£282m). These deposits are placed with various financial institutions as per note 23.5 above.

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

£000	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
2012						
Credit default swaps	-	(317)	(967)	(5,142)	-	(6,426)

23.7 Gearing Risk

This is the risk that the movement in the fair value of the assets of the Company is amplified by any investments bought with any borrowings that the Company may have. The exposure to this risk and the sensitivity analysis is detailed below.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Investments after gearing	2,731,162	2,635,390	2,643,113	2,570,351
Gearing	(200,000)	(248,768)	(200,000)	(248,768)
Investments before gearing	2,531,162	2,386,622	2,443,113	2,321,583

Sensitivity analysis

If net assets before gearing had decreased by 10% (10%), with all other variables held constant, the income statement result and the net assets attributable to equity holders of the parent would have further (decreased)/increased by the amounts shown below. The analysis for last period assumed a net assets before gearing decrease of 10%.

£000	Group		Company	
	Dec 12	Dec 11	Dec 12	Dec 11
Income Statement				
Revenue return	-	-	-	-
Capital return	(20,000)	(24,877)	(20,000)	(24,877)
Net Assets	(20,000)	(24,877)	(20,000)	(24,877)

A 10% increase (10% increase) in net assets before gearing would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

23.8 Hierarchical valuation of financial instruments

The Group refines and modifies its valuation techniques as markets develop. While the Group believes its valuation techniques to be appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of fair value at the balance sheet date. Financial instruments excludes the Investment Property.

The tables below analyse financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group valuation hierarchy fair value through profit and loss

£000	As at 31 December 2012				As at 31 December 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Listed investments	2,607,869	-	-	2,607,869	2,533,426	-	-	2,533,426
Credit default swaps	-	(3,189)	-	(3,189)	-	-	-	-
Unlisted	-	-	117,362	117,362	-	-	92,189	92,189
	2,607,869	(3,189)	117,362	2,722,042	2,533,426	-	92,189	2,625,615

Company valuation hierarchy fair value through profit and loss

£000	As at 31 December 2012				As at 31 December 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Listed investments	2,460,762	-	-	2,460,762	2,426,855	-	-	2,426,855
Unlisted	-	-	173,231	173,231	-	-	133,721	133,721
	2,460,762	-	173,231	2,633,993	2,426,855	-	133,721	2,560,576

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy.

£000	Group	Company
Balance at 31 December 2011	92,189	133,721
Net gain from financial instruments at fair value through profit or loss	18,333	16,291
Purchases at cost	25,539	42,284
Sales proceeds	(5,915)	(5,918)
Realised loss on sale	(12,784)	(13,147)
Balance at 31 December 2012	117,362	173,231

The amount of change in fair value recognised in the Consolidated Income Statement for the year for the derivatives instruments was a loss of £0.9m (2011:Nil).

Private equity included under level 3 is valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in September 2009.

Unlisted investments in private equity are stated at the General Partner's valuation. The General Partner's policy in valuing unlisted investments is to carry them at fair value. The General Partner will generally rely on the fund investment manager's fair value at the last reported period rolled forward for any cash flows. However if the General Partner does not feel the manager is reflecting a fair value they will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are:

- Price of a recent investment
- Multiples
- Net assets
- Industry valuation benchmarks

The Directors consider any valuations of level 3 investments based on reasonably alternative assumptions to be immaterial to the results of the Company and the Group.

24 Share Based Payments

The Group operates two share based payment schemes:

All Employee Share Ownership Plan ('AESOP')

Employees may receive up to £3,000 of shares annually under the terms of the AESOP. This amount is pro rated for part time employees. Individuals receive these shares free of all restrictions after a period of 5 years. For the year ended 31 December 2012 awards of £3,000 (£3,000) per person will be made. The maximum cost of all awards for the year will be £532,000 (£744,000) of which the Company will pay £151,000 (£176,000). The charge to the income statement in the year was £653,000 (£729,000) of which the Company paid £179,000 (£172,000).

Long Term Incentive Plan ('LTIP')

The LTIP is a discretionary plan for Executive Directors and senior managers. It comprises two elements: first it provides for the grant of matching awards based on the proportion of annual bonus applied by participants in the purchase of shares in the Company and held by the Employee Benefit Trust; and second it provides for the grant of performance awards. Both awards, granted over shares in the Company, vest either in full or in part at the end of the three year performance period subject to meeting pre-defined targets.

In the year ended 31 December 2012 participating employees applied a proportion of their annual cash bonuses for the period ended 31 December 2011 to purchase 113,061 (136,368) shares of Alliance Trust PLC at a price of £3.73 (£3.76) per share. Matching awards of up to 204,131 (309,513) shares and performance awards of up to 807,804 (751,757) were granted.

Matching awards and performance awards made during the year were valued at £328,000 (£602,000) and £1,064,000 (£1,626,000) respectively.

The fair value of awards granted during the year were calculated using a binomial methodology. The assumptions used were a share price of £3.61 (£3.82), share price volatility of 17% (21%) based on a long term average (3 year weekly average, previously 5 year weekly average), dividend yield of 2.5% (2.43%), a risk free interest rate of 0.49% (1.35%) and forfeiture of nil (nil).

The cumulative charge to the income statement during the year for the cost of the LTIP awards was £1,213,000 (£1,638,000) for the Group and £709,000 (£893,000) for the Company. In accordance with IFRS 2 the costs of matching and performance awards for each plan are expensed over the three year performance period.

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

Movements in options

Movements in options granted under the LTIP are as follows:

£000	Group December 2012		Group December 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	3,031,980	£0.00	2,827,951	£0.00
Granted during year	1,047,935	£0.00	1,061,270	£0.00
Exercised during year	-	£0.00	-	£0.00
Forfeited during year	-	£0.00	(74,362)	£0.00
Expired during year	(1,037,870)	£0.00	(782,879)	£0.00
Outstanding at 31 December	3,042,045	£0.00	3,031,980	£0.00
Exercisable at 31 December	Nil	£0.00	Nil	£0.00

The weighted average remaining contractual life of the options outstanding at 31 December 2012 was 606 days (613 days).

The weighted average exercise price of the options is nil as any options which vest at the end of the performance period are satisfied by shares held on behalf of the Company by the Trustee of the Employee Benefit Trust.

No options vested during the year or previous period.

25 Pension Scheme

The Group sponsors two pension arrangements. The following disclosures apply to both the Company and the Group.

The Alliance Trust Companies' Pension fund (the 'Scheme') is a funded defined benefit pension scheme which was closed to future accrual on 2 April 2011.

Employees, other than Executive Directors, receive contributions into their own Self Invested Personal Pension provided by Alliance Trust Savings Limited.

The disclosures which follow relate to the Scheme.

Participating Employers

Alliance Trust Services Limited is the sole Participating Employer and its pension obligations are guaranteed by the Company.

Valuation and Contributions

The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 April 2012 although for the purpose of these calculations the results of the 1 April 2012 valuation have been updated on an approximate basis to 31 December 2012. Valuations are on the projected unit credit method.

The contributions made by the Participating Employer over the financial year were £1,500,000 (£1,627,000).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

£000	Year ended 31 December 2012	Period ended 31 December 2011
Defined benefit obligation at start of year/period	28,631	28,187
Current service cost	-	92
Interest cost	1,346	1,444
Actuarial losses	788	1,342
Settlements or curtailments	-	(1,478)
Benefits paid	(454)	(956)
Defined benefit obligation at end of year/period	30,311	28,631

The Group has no unfunded pension obligations.

Reconciliation of opening and closing balances of the fair value of plan assets

£000	Year ended 31 December 2012	Period ended 31 December 2011
Fair value of assets at start of year/period	31,781	29,033
Expected return on assets	1,406	1,629
Actuarial gains	383	575
Contributions by employer	1,500	1,500
Benefits paid	(454)	(956)
Fair value of assets at end of year/period	34,616	31,781

Total (credit) recognised in income statement

£000	Year ended 31 December 2012	Period ended 31 December 2011
Current service cost	-	92
Interest on scheme liabilities	1,346	1,444
Expected return on scheme assets	(1,406)	(1,629)
Settlements or curtailments	-	(1,478)
Total credit	(60)	(1,571)

Gains recognised in statement of comprehensive income

£000	Year ended 31 December 2012	Period ended 31 December 2011
Difference between expected and actual return on scheme assets:		
Amount	383	575
Percentage of scheme assets	1%	2%

Experience gains/(losses) arising on the scheme liabilities:

Amount	546	(374)
Percentage of present value of scheme liabilities	2%	(1%)

Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:

Amount	(1,334)	(968)
Percentage of present value of scheme liabilities	(4%)	(3%)

Total amount recognised in statement of comprehensive income:

Amount	(405)	(767)
Percentage of present value of scheme liabilities	(1%)	(3%)

Assets

£000	31 December 2012	31 December 2011	31 January 2011
Equities	17,906	16,126	17,192
Bonds	16,474	15,440	11,703
Other	236	215	138
	34,616	31,781	29,033

The assets are held independently of the assets of the Group in funds managed by Standard Life Investments and Legal and General.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Expected long-term rates of return

The expected long-term return on cash is equal to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long-dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date. The expected long-term rates of return are as follows:

%	31 December 2012	31 December 2011	31 January 2011
Equities	5.90	5.70	7.20
Bonds	4.40	3.00	4.50
Other	0.50	0.50	0.50
Overall for scheme	4.48	4.35	6.08

Actual return on scheme assets

The actual return on the scheme assets over the year ended 31 December 2012 was a gain of 1% (gain of 2%).

Assumptions

%	31 December 2012	31 December 2011	31 January 2011
RPI Inflation	2.90	3.20	3.70
CPI Inflation	2.40	2.20	3.20
Salary increases	-	-	4.70
Rate of discount	4.40	4.70	5.60
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a.)	2.80	3.10	3.70
Allowance for revaluation of deferred pensions of CPI (subject to a maximum increase of 5% p.a.)	2.40	2.20	3.20

Statutory revaluation has used the Consumer Price Index (CPI) for the last two years rather than the Retail Price Index (RPI) which was used previously.

We have assumed that the long term CPI assumption is 0.5% lower than the corresponding RPI assumption.

The Mortality assumptions adopted at 31 December 2012 imply the following life expectancies from age 65. The mortality assumptions follow the S1PA table, using 90% of the base table with medium chart mortality improvements subject to a 1% minimum to the annual improvements.

Mortality assumptions	31 December 2012	31 December 2011
	Years	Years
Male currently age 45	24.3	24.3
Female currently age 45	26.9	26.9
Male currently age 65	22.4	22.4
Female currently age 65	25.0	25.0

Sensitivities

An estimate of the sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below.

Assumption	Change in assumption	Estimated impact	Change in assumption	Estimated impact
	Increase	on scheme liabilities	Decrease	on scheme liabilities
		Increase/(Decrease)		(Decrease)/Increase
Pension in payment increases	0.1%	£448,000	0.1%	(£438,000)
Revaluation of deferred pension increases	0.1%	£261,000	0.1%	(£256,000)
Discount rate	0.1%	(£686,000)	0.1%	£708,000
Life expectancy	1 year	£805,000	1 year	(£812,000)

Present values of defined benefit obligations, fair value of assets and deficit

£000	Year ended	Period ended	Year ended
	31 December 2012	31 December 2011	31 January 2011
Present value defined benefit obligation	30,311	28,631	28,187
Fair value of scheme assets	34,616	31,781	29,033
Surplus in scheme	4,305	3,150	846

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income of the Company since adoption of IAS19 is a loss of £2,617,000 (£2,212,000).

All actuarial gains and losses are recognised immediately.

Best estimate of contributions to be paid to scheme for the year ending 31 December 2013

The scheme closed to accrual on 2 April 2011. The company paid contributions in the year of £1,500,000 in line with the recovery plan.

Amounts for the current and previous four years

£000	Dec 12	Dec 11	Jan 11	Jan 10	Jan 09
Fair value of assets	34,616	31,781	29,033	22,924	19,326
Defined benefit obligation	30,311	28,631	28,187	27,845	20,891
Surplus/(Deficit) in scheme	4,305	3,150	846	(4,921)	(1,565)
Experience adjustment on scheme liabilities	546	(374)	409	255	(494)
Experience adjustment on scheme assets	383	575	1,733	2,019	(3,343)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(1,334)	(968)	935	(5,518)	555

26 Operating lease commitments

As at 31 December 2012 the Group and Company had total future minimum lease payments under non-cancellable operating leases as follows:

£000	31 December 2012		31 December 2011	
	Land and buildings	Other	Land and buildings	Other
Group				
Lease commitments due				
Within 1 year	-	-	-	-
Between 2-5 years	449	125	591	206
After 5 years	-	-	-	-

£000	31 December 2012		31 December 2011	
	Land and buildings	Other	Land and buildings	Other
Company				
Lease commitments due				
Within 1 year	-	-	-	-
Between 2-5 years	449	20	591	21
After 5 years	-	-	-	-

27 Finance lease commitments

£000	Minimum lease payments	Present value of minimum lease payments
Company and Group		
Due within 1 year	147	4
Due in 2-5 years	256	2
Due in more than 5 years	-	-
	403	6
Less finance charges allocated to the future periods	(397)	
Present value of minimum lease payments	6	

Information for shareholders

Incorporation

Alliance Trust PLC is incorporated in Scotland with the registered number 1731.

The Company's Register of Members is held at Computershare Investor Services PLC, Lochside House, 7 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ.

General Enquiries

If you have an enquiry about the Company, please contact the Company Secretary at our registered office:

**8 West Marketgait,
Dundee DD1 1QN
Tel: 01382 321000
Fax: 01382 321185
Email: investor@alliancetrust.co.uk**

For security and compliance monitoring purposes telephone calls may be recorded.

Investor Relations

Our Head of Investor Relations can be contacted at our registered office (detailed above).

Our website www.alliancetrust.co.uk contains information about the Company, including daily share price and net asset value. The Investor Relations section of the website contains the terms of reference of the Audit, Remuneration, Nomination and Board Risk Committees.

Registrars

Our registrars are:

**Computershare Investor Services PLC
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH**

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company's registrars at the above address, which should also be contacted if you would like dividends on shares registered in your own name to be sent to your bank or building society account. You may check your holdings and view other information about Alliance Trust shares registered in your own name at www.computershare.com.

Data Protection

The Company is a data controller as defined under the Data Protection Act 1998. Information received from or about shareholders or investors (for example from a stockbroker), whether by telephone or in writing, by fax or by any other electronic or digital means of communication may be processed.

Information held on the Company's Register of Members is, by law, information to which the public may, for a proper purpose, have access and the Company cannot prevent any person inspecting it or having copies of it for such purpose, on payment of the statutory fee.

Electronic Communications

If you hold your shares in your own name, we are able to send you annual reports and notices of meetings electronically instead of in paper format. If you wish to register for this service please log on to www.alliancetrust.co.uk/ec.htm which will provide you with a link to our registrars' website.

Taxation

If you are in any doubt about your liability to tax arising from a shareholding in the Company you should seek professional advice.

Income Tax

Dividends paid by the Company carry a tax credit at 10% of the gross dividend. Dividends are paid net of the tax credit.

If you hold your shares in your own name, the tax voucher which you need for your tax records will be sent to the address we have for you on the register maintained by Computershare. The Registrar will send a consolidated tax voucher to members after the final dividend during the tax year is paid.

If your dividends are received by a nominee, such as your stockbroker's nominee, you must contact that person for the tax voucher. If you invest in the Company through Alliance Trust Savings, it will automatically supply you with a consolidated income tax voucher for income received for you in the Investment Dealing Account.

Capital Gains Tax

For investors who purchased shares prior to 31 March 1982, the cost of those shares for capital gains tax purposes is deemed to be the price of the share on that date. The market value of each Alliance Trust PLC ordinary 25p share on that date was £2.85 which, when adjusted for the split on a 10 for 1 basis on 21 June 2006, gives an equivalent value of £0.285 per share. The market value of each Second Alliance Trust PLC ordinary 25p share on 31 March 1982 was £2.35. Holders of Second Alliance Trust PLC shares received 8.7453 ordinary 2.5p shares for each 25p ordinary share they held on 20 June 2006 and are treated as though they acquired these shares at the same time and at the same cost as the Second Alliance Trust shares they previously held. This gives an equivalent value of £0.269 per share.

Share Investment

Alliance Trust invests primarily in equities and fixed income and aims to generate capital growth and a progressively rising dividend from its portfolio of investments. The shares in the Trust may be suitable for private investors in the UK, professionally-advised private clients and institutional investors who seek income and the potential for and who understand and are willing to accept the risks of exposure to equities and who seek a combination of capital and income return. Private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares.

Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

Risks

If you wish to acquire shares in the Company, you should take professional advice as to whether an investment in our shares is suitable for you. You should be aware that:

- Investment should be made for the long term
- The price of a share will be affected by the supply and demand for it and may not fully represent the underlying value of the assets of the Company. The price generally stands below the net asset value of the Company ('at a discount') but it may also stand above it ('at a premium'). Your capital return will depend upon the movement of the discount/premium over the period you own the share, as well as the capital performance of the Company's own assets
- The assets owned by the Company may have exposure to currencies other than Sterling. Changes in market movements and in rates of exchange may cause the value of your investment to go up or down
- Past performance is not a guide to the future. What you get back will depend on investment performance. You may not get back the amount you invest.

Bogus telephone calls

We have become aware of a numbers of telephone calls being made to shareholders wherein the caller offers to buy the recipient's shares at a price significantly above the current market price. We suspect that these calls are bogus and to that end we have alerted the Financial Services Authority (FSA) of the names of the companies involved. We are prohibited from advising shareholders on whether to buy or to sell shares in Alliance Trust PLC, but recommend that if you wish to sell your shares you only deal with a financial services firm that is authorised by the FSA.

Annual General Meeting

The 125th Annual General Meeting of the Company will be held at 11.00am on Friday 3 May 2013 at the Apex City Quay Hotel, Dundee. The Notice of Meeting, detailing the business of the meeting, is sent to all shareholders.

Financial Calendar

Proposed dividend payment dates for the financial year to 31 December 2013 are on or around:

1 July 2013

30 September 2013

31 December 2013

31 March 2014

Investor Forums

We are pleased to announce that we will be holding two investor presentations during 2013:

3 May 2013

Apex Hotel, Dundee, following the Annual General Meeting

10 September 2013

Victoria Plaza Hotel, London

Details of these and future events can be found at www.alliancetrust.co.uk/events.

Company Financial Performance

A seven year record of the Company's Financial Performance is provided below. Prior to the financial year ended 31 January 2007 there were two trusts, The Alliance Trust and The Second Alliance Trust, and the figures are therefore not directly comparable. This explains why we have only shown a seven year record. Our intention is over time to extend this to a 10 year record.

Seven Year Record

Assets £m	Year ended 31 January					As at	
	2007	2008	2009	2010	2011	31 Dec 2011	31 Dec 2012
Total assets	2,844	2,894	2,211	2,704	3,268	2,676	2,702
Loans	0	(159)	(50)	(160)	(339)	(249)	(200)
Net assets	2,832	2,699	2,123	2,513	2,895	2,400	2,491
Net Asset Value	2007	2008	2009	2010	2011	31 Dec 2011	31 Dec 2012
NAV per share	421.5p	402.3p	316.8p	377.7p	439.0p	405.8p	444.9p
NAV return on 100p – 7 years*							119.9p
Share Price	2007	2008	2009	2010	2011	31 Dec 2011	31 Dec 2012
Mid-market price per share	365.5p	338.0p	268.0p	313.0p	364.0p	342.8p	375.3p
Share price High	380.7p	386.2p	353.7p	337.0p	377.9p	392.7p	383.5p
Share price Low	316.2p	321.2p	218.0p	233.0p	293.5p	310.2p	337.0p
Total shareholder return on 100p – 7 years*							119.7p
Gearing/Net Cash	2007	2008	2009	2010	2011	31 Dec 2011	31 Dec 2012
%							
Gearing	-	5%	-	5%	11%	7%	7%
Net cash	7%	-	11%	-	-	-	-

* Source: Morningstar UK Limited

Revenue	2007	Year ended 31 January				2011	11 months to 31 Dec 2011	Year ended 31 Dec 2012
		2008	2009	2010	2010			
Profit after tax	£52.5m	£61.5m	£69.5m	£61.1m	£63.8m	£61.9m	£55.6m	
Earnings per share [#]	8.66p	9.17p	10.37p	9.14p	9.67p	9.87p	9.74p	
Dividends per share	7.575p	7.90p	8.00p	8.15p	8.395p	9.00p	9.27p	
Special Dividend	-	-	0.50p	-	-	-	0.36p	
Performance (rebased at 31 January 2007)	2007	As at 31 January				2011	As at 31 Dec 2011	As at 31 Dec 2012
	2008	2009	2010	2010				
NAV per share	100	95	75	90	104	96	106	
Mid-market price per share	100	92	73	86	100	94	103	
Earnings per share	100	106	120	106	112	117	112	
Dividends per share (excluding special)	100	104	106	108	111	119	122	
Cost of running the Company	2007	Year ended 31 January				2011	11 months to 31 Dec 2011	Year ended 31 Dec 2012
	2008	2009	2010	2010				
Administrative Expenses	£10.1m	£15.0m	£16.8m	£16.0m	£17.0m	£16.0m	£18.7m	
Total Expense Ratio	0.39%	0.54%	0.70%	0.69%	0.63%	0.65%**	0.76%	
Ongoing charges (excluding Capital Incentives***)	0.36%	0.42%	0.60%	0.64%	0.53%	0.56%**	0.67%***	
Capital Incentives	0.02%	0.03%	0.07%	0.05%	0.07%	0.04%	0.04%	
Ongoing charges (including Capital Incentives***)	0.38%	0.45%	0.67%	0.69%	0.60%	0.60%**	0.71%***	

[#] 2007 is not adjusted for Second Alliance Trust income prior to merger in June 2006

** Administrative expenses have been annualised given the financial reporting period was for 11 months, except for incentives which were on an actual basis

*** As explained on page 44 the AIC's recommended methodology for the calculation of an Ongoing Charges figure states that for self managed companies costs relating to compensation schemes which are linked directly to investment performance should be excluded from the calculation of the principal Ongoing Charges figure.



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