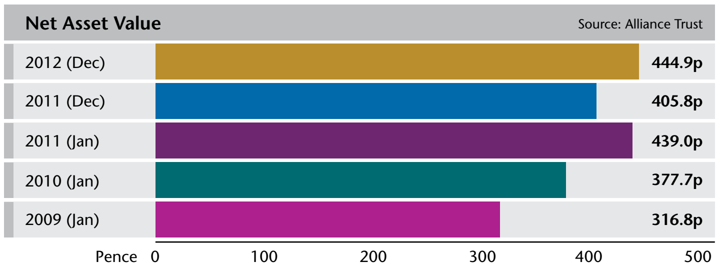
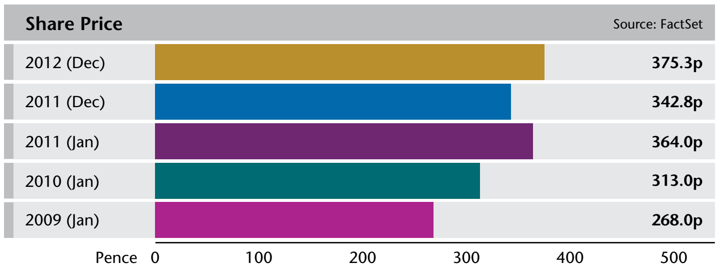
Alliance Trust

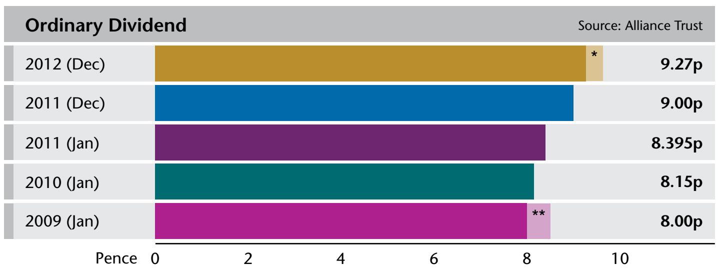
ANNUAL REVIEW

for the year ended 31 December 2012

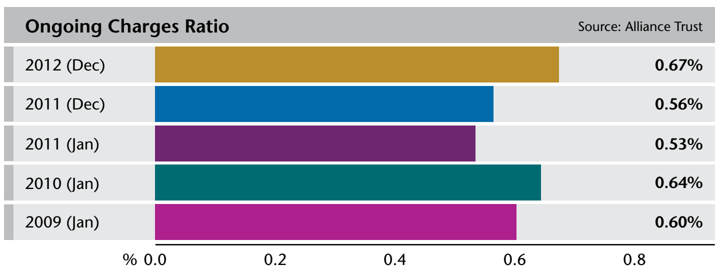
Company highlights







*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

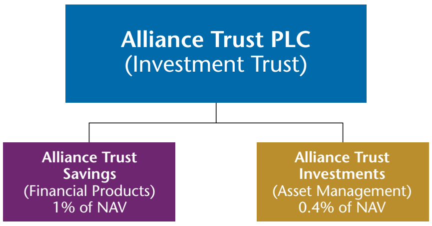
Ongoing Charges Ratio **11bps**

Our business

Who we are

What we said we would do in 2012

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.

"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.

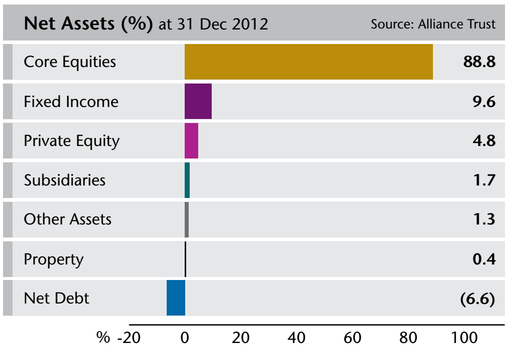
Over the last three years we have restructured the business and it is now an established, award winning, investment platform providing access to a wide range of shares and investment funds.

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

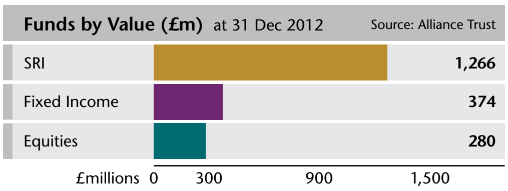
- In July, we announced the restructuring of the four regional equity portfolios into one global portfolio. This led to a reorganisation of the investment team.
- We reduced the number of direct equity holdings to around 100 holdings and will aim to take larger positions in the companies in which we 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

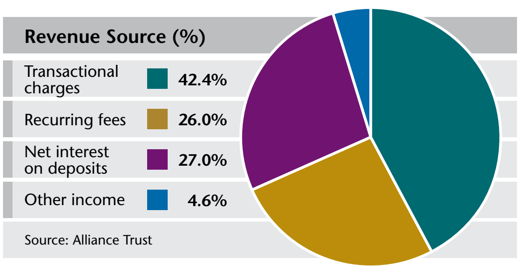
- **We will embed the changes resulting from our portfolio restructuring and continue to streamline the Company.**
- **Our focus will remain on investment performance as the most sustainable way of delivering an increasing Total Shareholder Return.**

- 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 review 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 this review 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 review. 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.

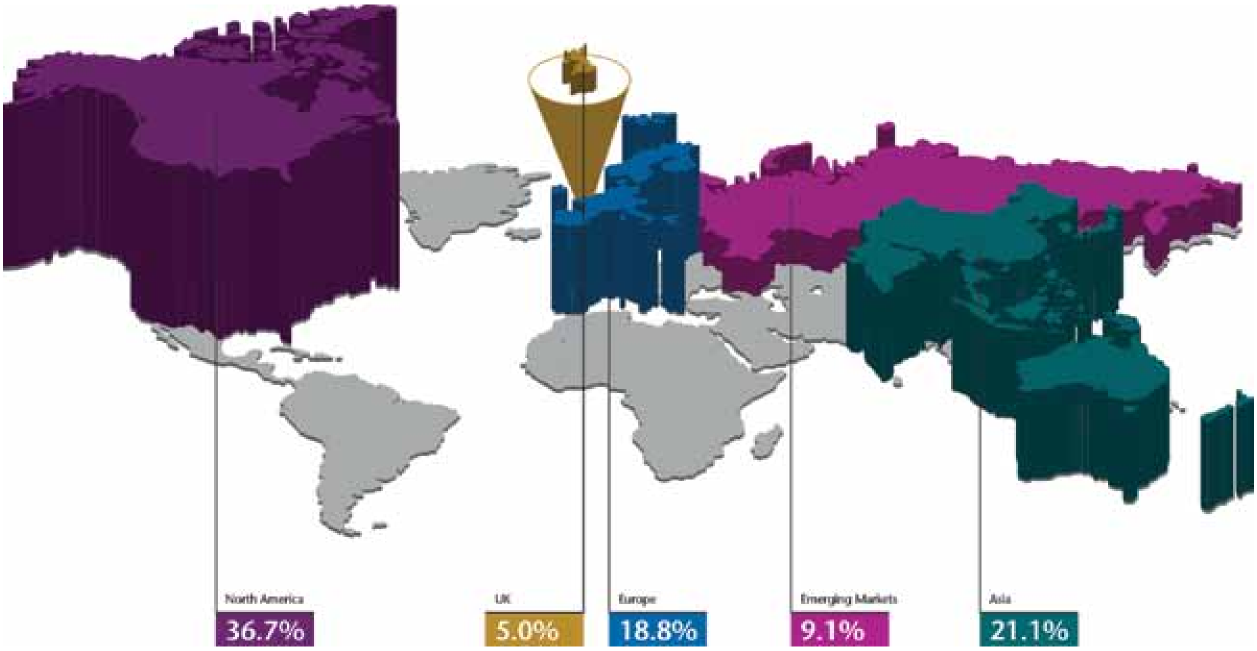
	Alliance Trust		MSCI All Country World Index				
Attribution Analysis (%)	**Average Weight**	**Total Return**	**Average Weight**	**Total Return**	**Sector/Asset Allocation Effect**	**Stock Selection Effect**	**Total Relative Effect**
Consumer Discretionary	7.6	11.7	10.4	18.6	-0.2	-0.4	-0.6
Consumer Staples	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**

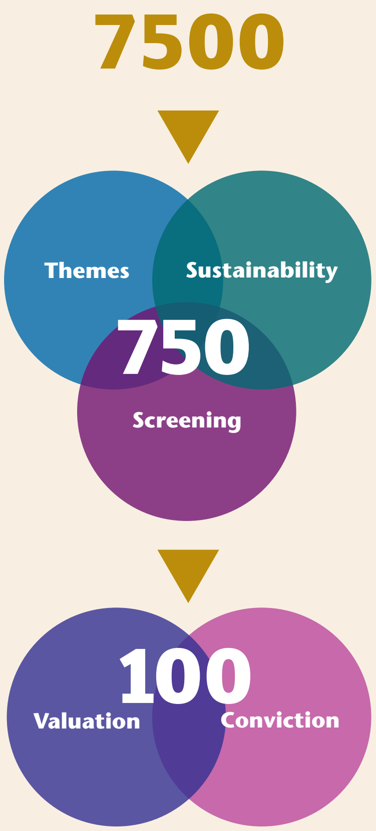
* The classification of investments in 2011 was based on FTSE sectors and in 2012 on MSCI sectors. The 2011 data has been reconfigured to provide an approximate comparator.

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

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.

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.

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.

Case studies

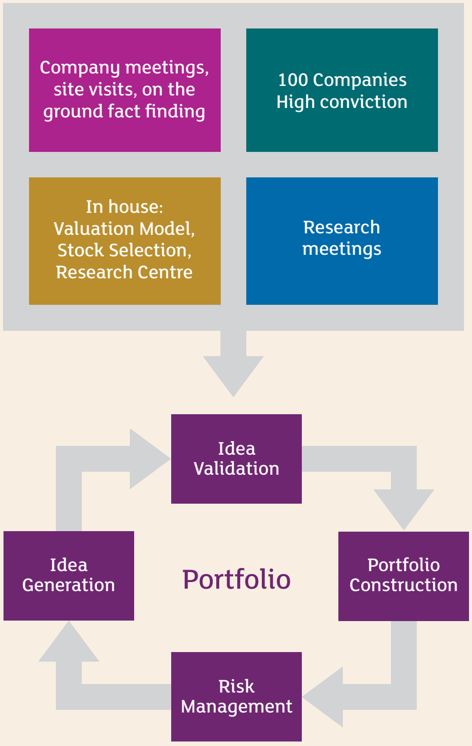
Novo Nordisk is a Danish healthcare company and a global leader in diabetes care with over 50% of the total insulin market. It continues to see strong sales driven by existing market growth with the adoption of modern insulin and an uplift from new products. Penetration of diabetes in emerging countries, 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.

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.

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

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.

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.

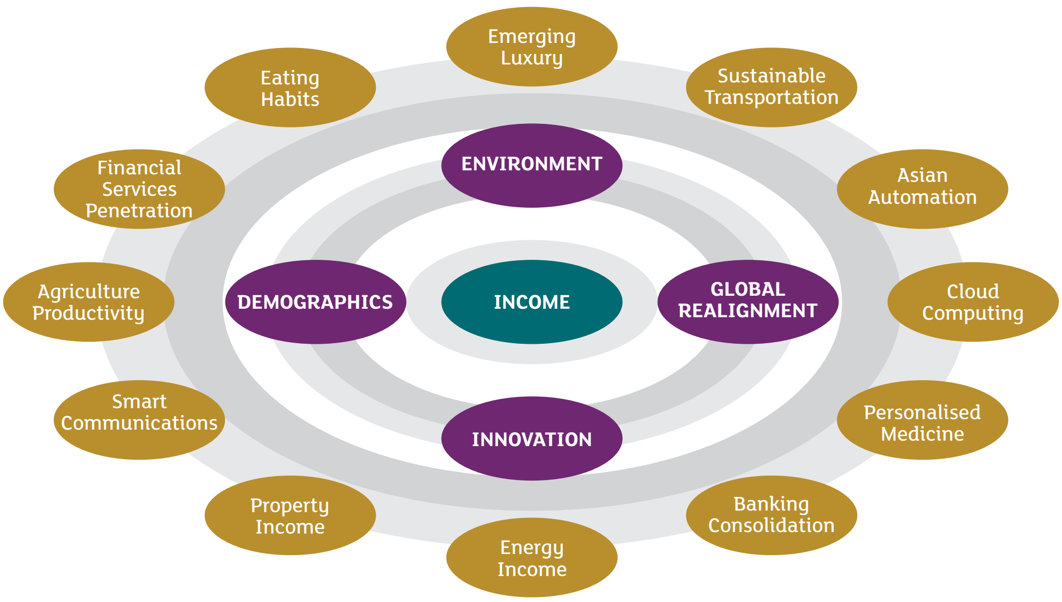
Property Income:

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.

Case studies

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.

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

Alliance Trust
Investments

£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.

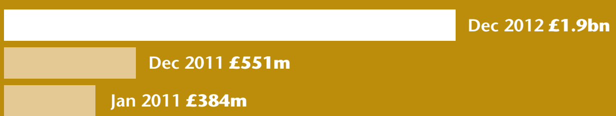
In August, we entered into an agreement with Aviva Investors under which we engaged a team of specialist Sustainable and Responsible Investment (SRI) managers. After the year end, we assumed the management of £1.2bn of third party assets in SRI funds which we had advised on during the second half of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

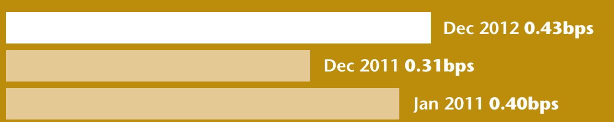
Expenses increased by an annualised £3.2m. The increase was due in part to the one-off acquisition costs of the SRI funds and the additional recurring running costs of that team.

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

Alliance Trust
Savings

£4.1bn

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

386,767

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

£0.4m

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

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.

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.

Continuing Operations

Assets under Administration

Revenue

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

Customer Accounts

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).

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

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.

What we did in 2012

- 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.

Mitigation

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.

What we did in 2012

- 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.

Mitigation

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.

What we did in 2012

- 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).

Mitigation

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.

What we did in 2012

- 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 review 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 CO2e)	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

Chair

Non-executive Directors

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.

Executive Directors

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.

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 he 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 refect strong delivery of performance in both business and financial targets set.
Full details on the operation of the LTIP can be found on page 34.	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.

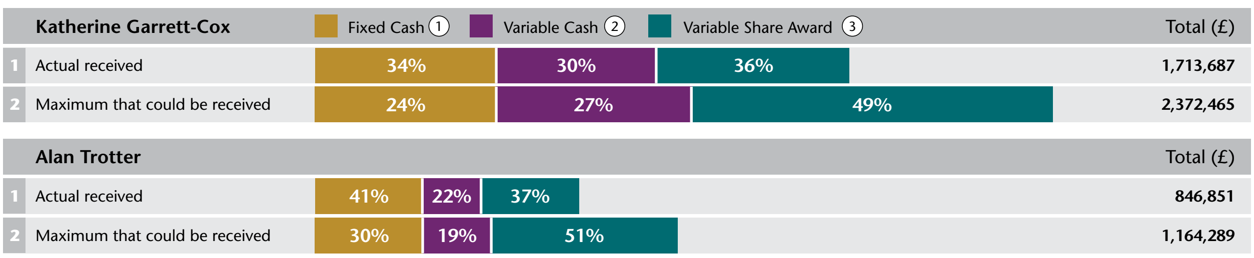
Total Pay Opportunities

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



(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.

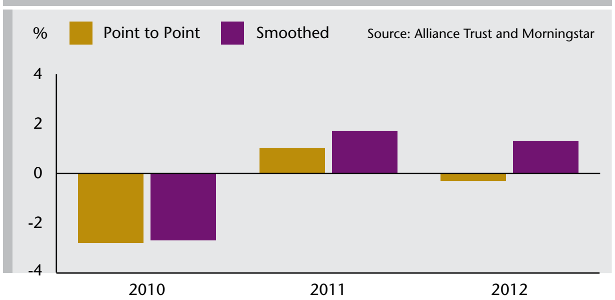
The Committee concluded that Katherine Garrett-Cox had successfully led a number of transformational change projects, including the restructuring of the Global investment team, the acquisition of the Aviva SRI business and the completion of the integration of the SRI team. The Committee also considered 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.

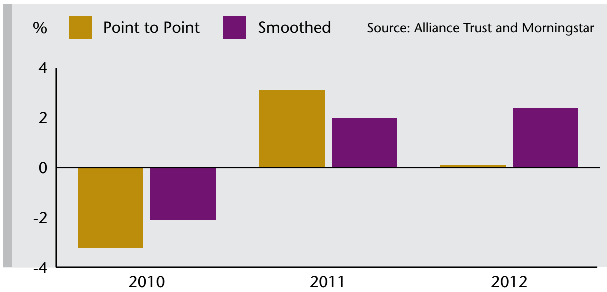
The Committee concluded that Alan Trotter had played a pivotal role in strategic projects throughout 2012, which had resulted in significant developments in ATS and ATI. He also demonstrated sound commercial leadership and had embedded strong risk management practices across the overall Group. The Committee 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 36 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.

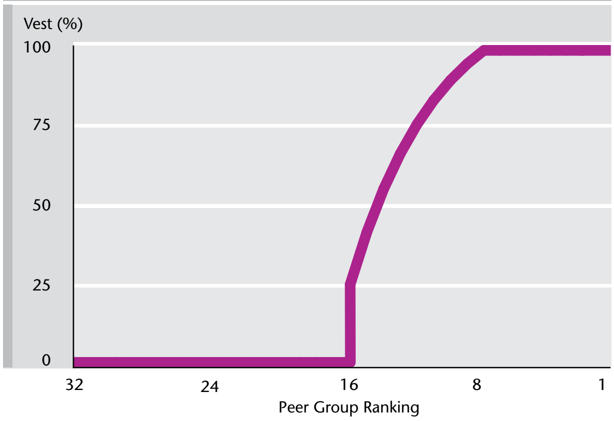
The current measure for Executive Directors, as approved by the shareholders in 2011, is based on a combination of two separate performance measures – one relating to growth in NAV and another to TSR – each of which will determine the extent to which 50% of an award vests. Under these conditions, the 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

LTIP awards (from 2011 onwards)



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	As at 31 Dec 12 or date of cessation of appointment	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:

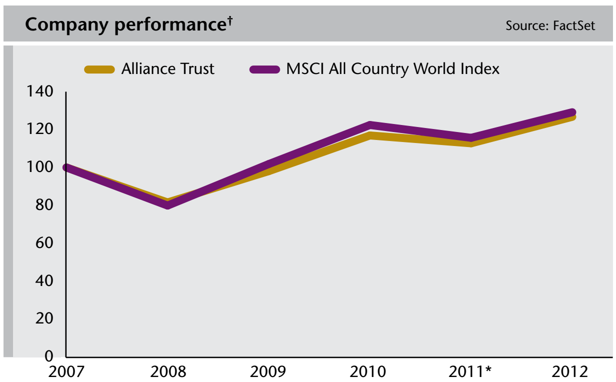
Membership of Audit Committee	£3,000
Membership of Remuneration Committee	£3,000
Membership of Board Risk Committee*	£3,000
Chair of Remuneration Committee	£7,500 (from 1 August 2012)
Chair of Audit Committee	£11,000 (from 1 August 2012)
Senior Independent Director	£5,000 (from 1 August 2012)
Chair of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

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.

Summary 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 a 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 45 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 2.387p, payable on or around 1 July 2013, 30 September 2013 and 31 December 2013 and a fourth interim dividend of at least 2.387p, payable on or around 31 March 2014.

Subsidiary Businesses

The financial results of the subsidiary businesses are disclosed on pages 20 to 23.

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.

Summary Directors' Report

Summary Financial Statement

This Summary Financial Statement has been prepared voluntarily by the Directors in accordance with section 426 of the Companies Act 2006. It does not contain sufficient information to allow a full understanding of the results and state of affairs of the Company and of its policies and arrangements concerning Directors' remuneration. For further information, the full annual financial statements, the Auditor's Report on those financial statements and the Directors' Report should be consulted. A copy of the Annual Report, which may be obtained free of charge from the Company Secretary, will be delivered to the Registrar of Companies after the Annual General Meeting. Shareholders wishing to receive the full Annual Report in future years may opt to do so by writing to the Company Secretary. Deloitte LLP have reported on the Company's Annual Accounts and the auditable part of the Directors' Remuneration Report for the year ended 31 December 2012; this report was unqualified and contained no statement under section 496 of the Companies Act 2006.

Review of Business

A summary of the Company's activities can be found on pages 2 to 23, Risk Factors are on pages 24 and 25, our Corporate Responsibility Report is on pages 26 and 27 and a Summary Financial Performance is on page 38.

Corporate Governance

The Board confirms that throughout the year the Company has 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

The full Corporate Governance Report is set out in the Annual Report for the year ended 31 December 2012, which is available on application to our Company Secretary or on our website www.alliancetrust.co.uk.

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. 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.

Re-election of Directors

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.

Investment Trust Status

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

Summary Financial Statements

Summary Consolidated income statement for the year ended 31 December 2012

	Year to December 2012			11 months to December 2011		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue						
Income	**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	**(41,234)**	**(1,625)**	**(42,859)**	(37,419)	(1,957)	(39,376)
Finance (costs)/income	**(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	**(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						
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)

Summary Company income statement for the year ended 31 December 2012

	Year to December 2012			11 months to December 2011		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue						
Income	**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	**(17,671)**	**(985)**	**(18,656)**	(14,824)	(1,159)	(15,983)
Finance costs	**(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	**(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						
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)

Summary balance sheet as at 31 December 2012

	Group		Company	
£000	**Dec 12**	**Dec 11**	**Dec 12**	**Dec 11**
Non-current assets				
Investments held at fair value	**2,722,042**	2,625,615	**2,633,993**	2,560,576
Investment property	**9,120**	9,775	**9,120**	9,775
Property, plant and equipment:				
Office premises	**4,125**	6,025	**4,125**	6,025
Other fixed assets	**587**	15	**157**	15
Intangible assets	**1,408**	1,598	**320**	390
Pension scheme surplus	**4,305**	3,150	**4,305**	3,150
Deferred tax asset	**990**	907	**990**	907
	2,742,577	2,647,085	**2,653,010**	2,580,838
Current assets				
Outstanding settlements and other receivables	**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	**(523,605)**	(600,539)	**(5,597)**	(22,661)
Tax payable	**(141)**	(141)	**(3,991)**	(3,991)
Bank loans	**(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	**(990)**	(907)	**(990)**	(907)
Finance lease	**(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	**14,040**	14,833	**14,040**	14,833
Capital reserve	**1,754,368**	1,665,692	**1,718,637**	1,629,129
Merger reserve	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve	**4,958**	4,165	**4,958**	4,165
Revenue reserve	**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				
Basic (£)	**£4.44**	£4.06	**£4.45**	£4.06
Diluted (£)	**£4.43**	£4.05	**£4.44**	£4.04

The summary 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

Independent Auditor's Report

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF ALLIANCE TRUST PLC

We have examined the summary financial statement for the year ended 31 December 2012 which comprises the Summary Consolidated and Company Income Statements, Summary Consolidated and Company Balance Sheets, Summary Directors' Report and the Remuneration Report.

This report is made solely to the company's members, as a body, in accordance with section 428 of the Companies Act 2006. Our 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summarised annual report in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the summarised annual report with the full annual financial statements, the Directors' Remuneration Report and the Directors' Report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the summarised annual report as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements, the Directors' Remuneration Report, and the Directors' Report.

Opinion

In our opinion, the summary financial statement is consistent with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report of Alliance Trust PLC for the year ended 31 December 2012 and complies with the applicable requirements of section 428 of the Companies Act 2006, and the regulations made thereunder.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

11 March 2013

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			**Year ended 31 January**			**As at**	**As at**
£m	**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%	-	-	-	-

			Year ended 31 January			**11 months to**	**Year ended**
Revenue	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**
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			**As at 31 January**			**As at**	**As at**
(rebased at 31 January 2007)	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**
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

			Year ended 31 January			**11 months to**	**Year ended**
Cost of running the Company	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**
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 38 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.

Contact

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