Alliance Trust

REPORT AND ACCOUNTS

for the year ended 31 December 2013

Investing for Generations

Key information

Company key facts

NAV per share at 31 Dec 2013

516.5p

NAV Total Return

18.4%

Share Price at 31 Dec 2013

450.1p

Total Shareholder Return

22.7%

Dividend

9.548p **Ordinary Dividend**

1.282p **Special Dividend**

3%
+
9.5%

Costs

0.75%

Ongoing Charges Ratio

8bps

Introduction from the Chair

I am delighted to present Alliance Trust's 126th Annual Report. We report on our performance for the year ended 31 December 2013. We also explain our strategy, business model and long-term priorities. Our focus is on the long-term and we have set out our ambitions for Alliance Trust in our Vision 2020, as explained in this report.

The focus of the Trust has long been to deliver a combination of capital growth and a consistently rising dividend. In the year, the total return to shareholders was 22.7%. This return ranks the Trust as median within its peer group of Global trusts over one year and the Trust is also ranked above median over three years. The NAV Total Return was 18.4%, which ranked in the third quartile, while it was ranked above median over three years. In line with our dividend policy we are declaring a fourth quarterly dividend of 2.387p and a special dividend of 1.282p, giving a total dividend for the year of 10.83p, an increase of 12.5%. This is our 47th consecutive year of dividend increases, a record matched by only a handful of other listed companies. During the year our discount narrowed significantly from 15.6% to 12.9%, driven principally by increased demand for the shares. During the year we bought back 1.485m shares, or 0.3% of the opening number of shares in issue, at a total cost of £6.7m.

2014 will see voters in Scotland going to the polls to make a decision on their future, either within or outside the United Kingdom. We recognise that regardless of the outcome we have a duty of care to our shareholders, customers and employees. The main areas likely to impact our customers and our business are:

- Jurisdiction and taxation of individual savings and pension plans
- Financial services regulation and consumer protection
- Currency
- Membership of the European Union

Alliance Trust is focused on serving our shareholders and customers across the United Kingdom from our offices in Dundee, Edinburgh and London. To remove any uncertainty, we have started work to establish additional companies which will be registered in England, in order to provide operational flexibility and to complement our existing business in Scotland. This gives all our customers, regardless of their location, full confidence that we will be able to provide continuity of service and protection for their investments and savings.

We continue to focus on the creation of long-term value for shareholders through investment performance and the development of our subsidiary businesses. We will see the impact of recent regulatory change, in particular the Alternative Investment Fund Managers' Directive, which will apply to Alliance Trust along with other investment trusts from July 2014, and the Retail Distribution Review. In each case the regulators have as their objective the protection of investors and we share that concern, but regulation must also avoid imposing unnecessary costs which are ultimately borne by these same investors.

In the rest of this Annual Report, which reflects recent changes to regulation and governance best practice, we discuss all of these issues in more detail. My fellow directors and I hope you find it useful and informative. In the meantime we thank you for your continuing support of Alliance Trust.

Kari

Karin Forseke

"Our focus is on long-term value creation for our shareholders to continue to earn your trust"

For us, everything starts with trust. It is in our name and it is key to a winning long-term strategy.

Our Vision:

To be the UK's most trusted investment and savings business.

Our Mission:

In an investment world full of uncertainty and mistrust, we aim to stand out as a business that builds customer and investor loyalty through being closer to their needs and serving them in a more engaging way. Our philosophy is summed up in our name.

Alliance. We build success through building stronger, deeper, more sustainable relationships. Going the extra mile to better serve customers and investors. Finding the best possible ways to communicate clearly with all our audiences. Bringing a refreshingly warm, open and engaging manner to the world of investment.

Trust. We build trust by earning it, not asking for it. Understanding customers' and investors' needs and then delivering.

Focusing at all times on excellence and in securely growing and administering customers' and investors' wealth in a sustainable manner. Bringing genuine integrity and an open, transparent approach to how we do business. Working hard to build understanding and respect for our actions.

This is what drives us and can set us apart in the eyes of clients, customers and shareholders. This is how we build loyalty and advocacy amongst them. This is why we are Alliance Trust.

Our Purpose:

Our purpose is to provide products and services that enable clients to create wealth and security for a more sustainable financial future.

People will do business with us because:

- we help them achieve long-term financial security
- we understand their needs and deliver what we say we will
- we offer a 'best value', easy to use platform
- we have a clear investment focus and grow wealth in a sustainable manner
- we provide strong thought leadership and our values are central to everything that we do
- we are easy to do business with – we have ethical and transparent processes and we produce high quality information to make informed choices

Business Model

Alliance Trust's business model as a self-managed investment trust is focused on maximising the return on our shareholders' investment while seeking to protect its value in more challenging economic conditions. We achieve this by investing in a range of assets including equities, fixed income, private equity, property and mineral rights. Unlike most other investment trusts we have developed investment management and savings platform businesses to generate capital growth and, in time, dividend income. Through borrowing we can enhance returns when market conditions permit.

Alongside the Alliance Trust portfolio our fund managers also invest third party funds in equities and fixed income through our asset management subsidiary, Alliance Trust Investments. Our savings platform subsidiary, Alliance Trust Savings, provides an investment platform to the private investor both directly and through intermediaries.

How we create value for shareholders

Our business

Investment Management
- Investment Trust
- Alliance Trust Investments

Savings Platform
- Alliance Trust Savings

What we do

We invest in:
- Global equities
- Fixed income
- Sustainable & Responsible Investments
- Other assets

We offer retail investors:
- Investment platform

What makes us distinctive

- Unconstrained investment style
- Stock selection emphasis
- Focus on global themes
- Responsible investment
- Long-term investment in subsidiaries

- Flat rate charging structure
- Transparent & competitive pricing
- Quality of service

To create total shareholder return

Capital growth:
- Investment portfolio
- Alliance Trust Savings
- Alliance Trust Investments

Income growth funded by:
- Dividends and income from the Trust portfolio
- Profit from Alliance Trust Savings and Alliance Trust Investments

Narrowing of discount:
- Through increased demand for our shares

To find out more about:

Our strategy

Go to pages 4 to 7

Our values and priorities

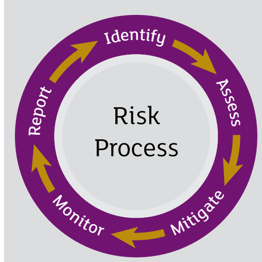
Go to pages 11 to 20

Our KPIs

Go to pages 8 and 9

Risks to our business

Go to pages 36 to 39



Where we are now...

The Trust is strong and performing consistently. Our share price has risen and our discount is narrowing. The changes made to our investment process in 2012 are now embedded and the global team is settled and working hard to deliver strong long-term investment performance.

Alliance Trust Savings has been restructured; the business simplified, returned to profit and is now well positioned to capitalise on opportunities as a result of the Retail Distribution Review.

Alliance Trust Investments has come a long way in a short time and weathered tough market conditions. It now has £2.2bn of Assets Under Management and three distinct offerings in Global Equities, Sustainable and Responsible Investment (SRI) and Fixed Income. The SRI investment team and funds were integrated seamlessly and are already attracting new business.

At the same time we have transformed our business, streamlining, simplifying, and creating a unified organisational structure with a shared service model. We have a common set of values and behaviours and a strong risk and control framework. We show below how our values and priorities combine to provide us with a compass to guide the way we operate our business.

Our Values

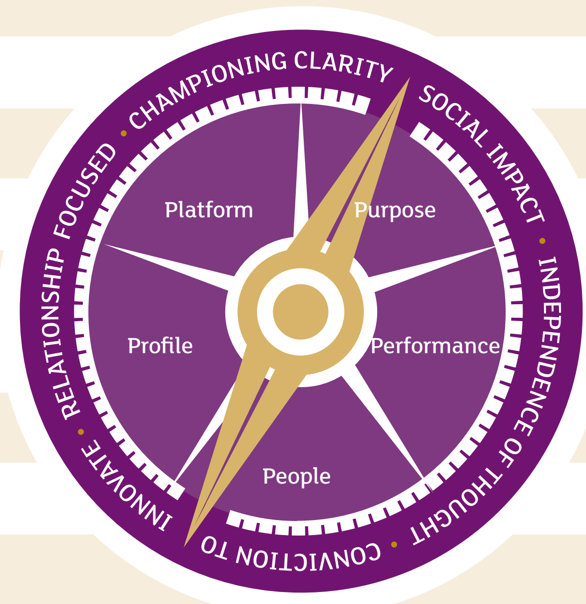
Social impact
Creating a sustainable future

Independence of thought
Challenging the norm

Conviction to innovate
Improving the way we do business

Relationship focused
Building long-term alliances

Championing clarity
Being clear in our messages



Our Priorities

Purpose
Creating wealth and security for our investors

Performance
Delivering strong and sustainable investment performance

People
Making Alliance Trust an employer of choice

Profile
Raising awareness of Alliance Trust among our target market

Platform
Building a robust operating and control framework to support growth

...and where we aim to be in 2020

With the business well positioned to grow, we have focused on what the next seven years for Alliance Trust might look like. Vision 2020 is the result of that work: it builds upon our current strengths, shows where we want to be in 2020 and the steps we need to take to get there.

By 2020 we will be widely recognised as a trusted investment and savings business. Our investment business will be a market-leading specialist, offering solutions to clients and with market-rated funds. Our savings business will have grown significantly and be delivering a strong profit stream. We will be recognised as an organisation that places customers at the heart of everything we do and that leads the market in sustainability. Our Investing for Generations strategy is focused upon ensuring that our business remains strong and profitable and enables us to help our investors, clients and our own people to achieve prosperous financial futures. Our strategy also recognises that while profits and growth are key, with success comes a responsibility to play an important role in supporting the communities we operate in and being mindful of the impact we have on our carbon footprint. We will be an employer of choice and a sought after destination for key talent. Our shares will be in strong demand, trading at a narrower discount than our peer group, and providing a strong return on investment for our shareholders.

Vision 2020 is ambitious but attainable. The route map below that we are using to engage with our people sets out the journey ahead, but it also represents the beginning of the process, not the end. The hard work of transforming our vision into reality has already begun, and we look forward to reporting on our progress through 2014 and beyond.

▼ Extract from our internal communication of Vision 2020

Delivering our strategy

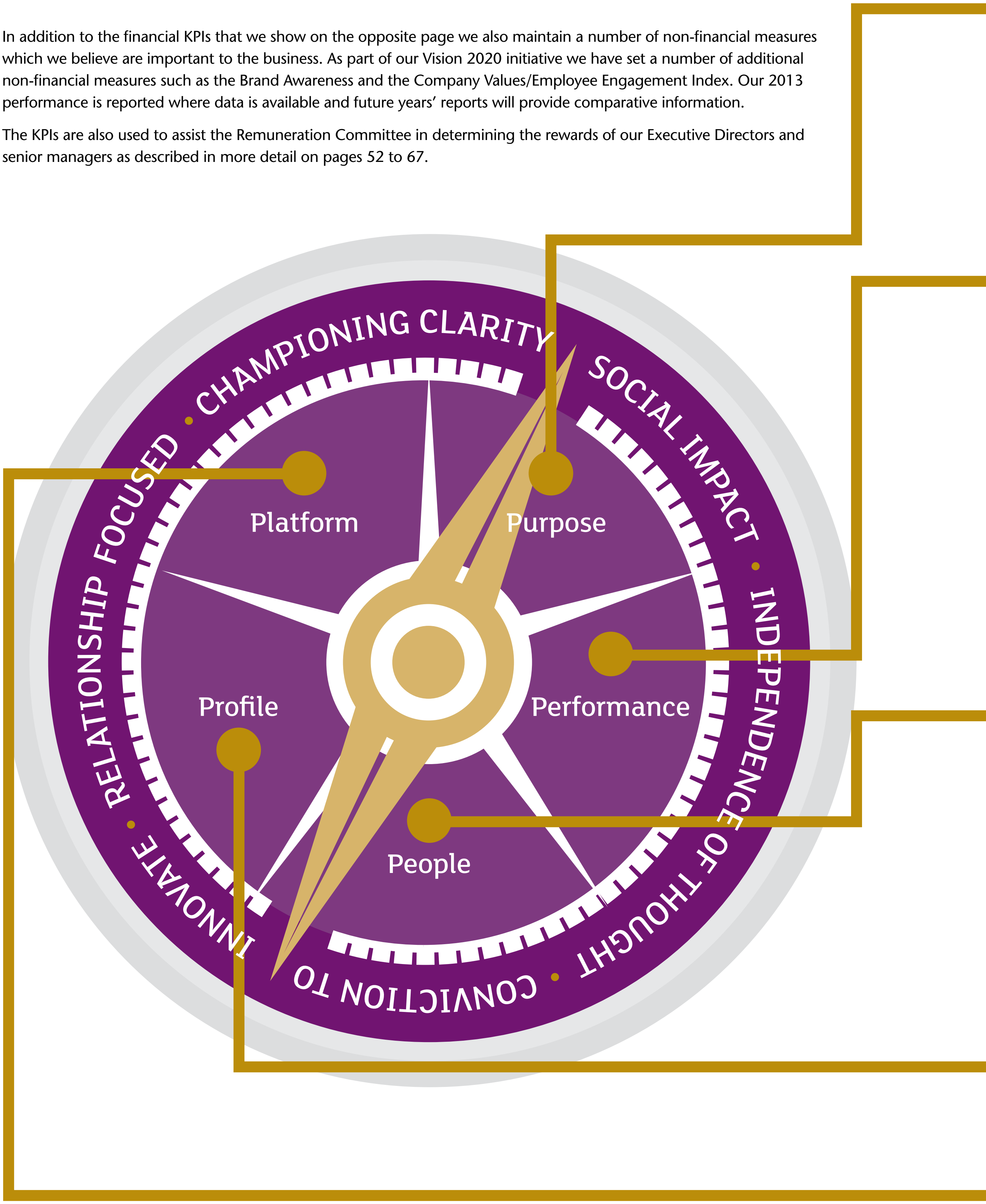
Our priorities	What we did in 2013
Purpose: Creating wealth and security for our investors	• Increased our dividend for the 47th consecutive year • Achieved a Total Shareholder Return of 22.7% • Reported our highest ever year-end share price of 450.1p • Our discount narrowed from 15.6% to 12.9% • Achieved profitability within Alliance Trust Savings • Sold the Full SIPP business of Alliance Trust Savings, realising a gain of £5.4m • Completed the integration of the £1.2bn portfolio of SRI funds, and rebranded them as Alliance Trust Sustainable Future funds
Performance: Delivering strong and sustainable investment performance	• Achieved an increase in our NAV of 18.4% and reported our highest ever year-end NAV of 516.5p • The equity portfolio generated a gross return of 21.6%, outperforming the MSCI All Country World Index • Alliance Trust Savings assets under administration reached £5.4bn • 8 out of 9 Alliance Trust Investments' funds were above median over three years and 9 out of 11 over one year
People: Making Alliance Trust an employer of choice	• Improved employee satisfaction survey ratings from 67% in 2011 to 79% • Alliance Trust Academy initiated to further support our leadership development • Embedded a new set of values and behaviours into all people processes, including performance management, recruitment and development
Profile: Raising awareness of Alliance Trust among our target market	• Rebranded our business to help increase the profile of all parts of the business • Launched our Chief Executive Blog to keep investors informed of developments across the group • Established a SRI Hub to promote our SRI fund managers to our clients and investors as well as key industry journalists and specialists • Alliance Trust, Alliance Trust Investments and Alliance Trust Savings all won industry awards for the quality of our products and services
Platform: Building a robust operating and control framework to support growth	• We planned the outsourcing of the middle and back office operations of Alliance Trust and Alliance Trust Investments to take place in 2014 in order to improve efficiency and to increase scalability of our back office functions

What we will do in 2014	By 2020 we aim to
• Develop our subsidiaries and gain additional market share for Alliance Trust Savings • Barring unforeseen circumstances continue our progressive dividend record • In line with our existing dividend policy distribute all of the net revenue earnings to our shareholders	• Be recognised as an investment trust with a differentiated offering as a result of owning two profitable subsidiaries; Alliance Trust Investments and Alliance Trust Savings • Maintain our record of steadily increasing our dividend
• Focus on delivering consistent outperformance through investing in a portfolio of around 100 high quality equities • Continue to invest in fixed income to generate income for the Trust • Grow the market share and profit of Alliance Trust Savings • Investigate opportunities to grow assets under management and reduce the losses of Alliance Trust Investments	• Achieve consistently good investment performance, ranking in the top quartile, for our long-term investment return over the last decade
• Strive to improve our employee satisfaction survey rating • Provide a Financial Education programme for our people to help them plan for the future • Introduce a positive health and well being programme for our people • Encourage our people to use their volunteering days and get involved in community projects • Work with the Recovery Career Services to provide employment for suitable armed-forces veterans	• Be recognised as one of the UK's employers of choice
• Build on the increasing awareness of the Alliance Trust name by carrying out a number of initiatives over the year, such as launching an educational portal in conjunction with the Daily Telegraph • Target new investors as well as existing shareholders and financial intermediaries, through a range of media aimed at the different audiences for our message that we are a trusted investment and savings business • Establish a social media presence	• Achieve recognition by retail and institutional investors as one of the UK's most trusted investment and savings business
• Alliance Trust Savings will take advantage of the changes introduced by the Retail Distribution Review to target financial intermediaries and increase market share. A new pricing structure introduced in January 2014 should see increased revenue while remaining competitive against other businesses in the market • Implement the outsourcing of the investment middle and back office functions • Implement a new IT system for Alliance Trust Savings	• Achieve substantial growth across all parts of the business and develop sustainably profitable subsidiaries capable of paying dividends to Alliance Trust PLC

Key Performance Indicators

In addition to the financial KPIs that we show on the opposite page we also maintain a number of non-financial measures which we believe are important to the business. As part of our Vision 2020 initiative we have set a number of additional non-financial measures such as the Brand Awareness and the Company Values/Employee Engagement Index. Our 2013 performance is reported where data is available and future years' reports will provide comparative information.

The KPIs are also used to assist the Remuneration Committee in determining the rewards of our Executive Directors and senior managers as described in more detail on pages 52 to 67.



Purpose

Indicators as at 31 December 2013	1 Year	3 Year	5 Year
Total Shareholder Return (TSR)	22.7%	30.0%	79.3%
Peer group rankings (TSR) (quartile)	18/35 (median)	15/32 (2nd)	24/32 (3rd)
Dividend progression – compound annual growth			
Ordinary dividend	3.0%	4.4%	3.6%
Total dividend including Special dividends	12.5%	8.9%	5.0%
Indicators as at 31 December 2013		**2013**	**2012**
Discount to Net Asset Value		12.9%	15.6%

Performance

Indicators as at 31 December 2013	1 Year	3 Year	5 Year
Net Asset Value (NAV) Total Return	18.4%	22.6%	71.4%
Peer group rankings (NAV) (quartile)	24/35 (3rd)	16/32 (2nd)	22/32 (3rd)
Indicators as at 31 December 2013		**2013**	**2012**
Company expenses		£21.5m	£18.7m
Ongoing charges ratio		0.75%	0.67%
Alliance Trust Savings			
• Assets under administration		£5.4bn	£4.1bn
• Operating profit/(loss) from continuing operations		£0.4m	(£0.4m)
• Fair valuation		£26.7m	£24.6m
Alliance Trust Investments			
• Assets under management		£2.2bn	£1.9bn
• Operating loss		(£4.2m)	(£6.6m)
• Fair valuation		£12.8m	£10.1m

People

Indicators as at 31 December 2013	2013	Financial Services Norm
Employee Engagement Index	79%	75%
Company Values Index	72%	N/A

Our annual employee survey measures engagement levels amongst our people. Their engagement can impact on business performance and customer satisfaction. This is the first year that we report on these measures and for comparison we provide the norm for comparable businesses in the sector.

With the business having undergone significant change in 2012 and 2013, we remeasured our employee engagement levels through an independent survey. The survey results were very positive – the response rate was 84%, and our group wide Employee Engagement Index score was 79% (this is an increase from 67% in 2011 when we last ran the survey).

This year we also introduced, for the first time, a Company Values Index, to track how we are living our corporate values. This index was constructed from specific questions contained in the engagement survey. The Company Values Index score was 72%, indicating that the majority of our people believe that we are doing well in putting our values at the heart of the way we do business.

Profile

To date awareness of Alliance Trust, in common with other investment trusts, has been low among potential investors. In order to take full advantage of the Retail Distribution Review, we intend to track awareness of the Alliance Trust brand among our target investors.

Platform

The Board monitors and reviews the progress of the strategically important projects undertaken during the year to improve our business effectiveness.

Message from the Chief Executive

In 2013 we made steady progress across all parts of the business. This has been reflected in the increase in the NAV and share price. The NAV and share price were the highest year-end levels we have reported.

The core of the Trust is the global equity portfolio, which equates to over 94% of net assets. This produced a solid total return of 21.6%. On the revenue account, we report a 9.1% increase in profit after tax, which has allowed us to increase the total dividend payment.

Our subsidiaries, Alliance Trust Savings and Alliance Trust Investments, have continued to develop. Alliance Trust Savings now has £5.4bn of Assets under Administration and it has gained market share as our distinctive flat-fee structure has appealed to IFAs and a number of private investors who are taking control of their portfolios in the wake of the Retail Distribution Review. Alliance Trust Investments completed the integration of the Aviva sustainable and responsible investment funds and rebranded them as Alliance Trust Sustainable Future funds. We have gone on to win new institutional investors and our first segregated mandate. In addition, nine of the 11 funds were rated above median over the year, and eight of the nine with a three year track record, have similarly outperformed their peers.

In addition to our strong financial results we have been recognised for the quality of our products and the services we provide. We have won many awards for our performance, customer service, transparency, products and services.

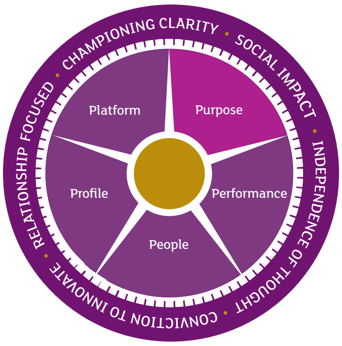
"Investing for Generations" is more than a marketing slogan. It encapsulates our 125 year track record of creating value for shareholders and our commitment for the future. We also use "Investing for Generations" to describe our sustainability strategy, which covers not only our investment philosophy but also other ways in which we have an impact on our shareholders, customers and employees and the wider community. You can read more about this on page 21.

Katherine

Katherine Garrett-Cox

"it is only through adherence to our values and by delivering a sustainable business for our shareholders that we can continue to rebuild trust in our sector"

Purpose



We know that almost 70% of our shares are held, either directly or beneficially, by private individuals and around 90% of the clients of Alliance Trust Savings make their own investment decisions. Most of our investors are private individuals. We see our purpose as being to provide products and services that enable our shareholders and clients to create wealth and security for a stronger financial future.

People will invest in us and do business with us because:

We help them achieve long-term financial security

From the conversations and correspondence we have with our shareholders, we know that stability and sustainability of capital and income returns are important factors in their decision to invest in us.

We understand their needs and deliver what we say we will

We have been investing the capital of our shareholders for over 125 years and the families of a number of our shareholders have been invested in Alliance Trust for generations. Whether we are talking to shareholders who have invested directly with us, or to customers who invest in our funds or use our platform, we do not forget who our owners are, nor the importance of professional, but personal, customer service.

We have a clear investment focus and grow wealth in a sustainable manner

Our equity portfolio consists of around 100 holdings and before an investment decision is made we undertake a rigorous research process to understand the drivers of that company's potential performance. We know that our shareholders invest in us for the long term and our investment focus is to try to match their investment horizon. We focus on identifying companies which are trading at significant discounts to their intrinsic value, and which we believe exhibit a superior or more sustainable return profile for many years to come.

We offer a 'best value', easy to use platform

Alliance Trust Savings administers a multi-award winning platform, which provides its clients with a cost-effective means of managing their portfolio. We charge a flat fee for the service, as it basically costs us the same amount to administer a portfolio of £50,000 as to administer a portfolio of £500,000. As a result our customers have greater transparency over the charges levied.

We operate in a way that will allow our shareholders and customers to trust us

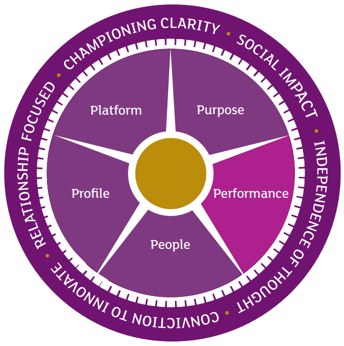
Trust among private investors in financial service providers has been severely dented by some of the events of the last five years. Alliance Trust is determined to create the environment whereby investors can feel that they can trust Alliance Trust to be clear about what it will do and how it will do it. We will achieve this by being transparent in what we do and how we communicate and relate to our clients.

We are easy to do business with – we have ethical and transparent processes and we produce high quality information

The Association of Investment Companies (AIC) has recognised Alliance Trust as the trust which provides the Best Information to Shareholders of any generalist investment trust for the last two years. While at Alliance Trust Savings we provide a clear charging structure, with no hidden charges or retained fees, and we have won a number of awards for the quality of the service that we provide to our clients.

Performance

Review of investment performance



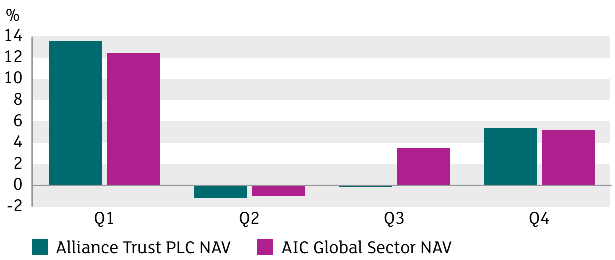
The Total Shareholder Return (TSR) for the Trust in 2013 was 22.7% and the Net Asset Value Total Return (NAV TR) was 18.4%. The NAV TR is the best absolute return the Trust has generated for three years and the TSR is the best absolute return that the Trust has reported in eight years. These returns are on top of the double digit growth we reported in 2012. The NAV and share price at 31 December were the highest year-end levels ever achieved.

The difference between the returns is explained by the narrowing of the discount, which ended the year at 12.9%, having spent most of the year below 14%. The discount has not traded consistently at this level since 2006. We recognise that while these numbers are improving, there is always work to be done and we maintain our focus on delivering improved investment performance and a narrowing discount.

On page 9 we report on our Key Performance Indicators (KPIs). We measure and report on our performance in terms of how we rank relative to the returns generated by other Global investment trusts. We look at our performance over one, three and five years and use the three year results in the Long-Term Incentive Plan (LTIP) calculations (see pages 56, 57 and 64). Over the year we were ranked median on a TSR basis and in the third quartile on an NAV basis. We were ranked in the second quartile over three years on both measures and in the third quartile over five years.

The relative rankings are largely a result of the performance of the equity portfolio. The Trust has a greater exposure to the US than many of our peers. The US market was one of the best performing markets in the early part of 2013 and our performance relative to our peers was enhanced as a result. On a rolling six month basis, we were ranked above median for the period up until July, but then as the US started to suffer from political uncertainty arising from 'Obamacare' and the debate over the Federal budget, we saw this position reverse. Although the weakening of the US Dollar relative to Sterling in the second half of the year will have helped make US companies more competitive, the valuation of our portfolio was impacted more than many of our peers, particularly in the third quarter of 2013.

Alliance Trust NAV performance against peer group



Portfolio performance analysis

The table on the next page shows that the equity investment portfolio, which represented on average 94% of net assets, returned 21.6% during the year and contributed 19.4% to the NAV total return. The attribution analysis table on page 14 gives more information on how this performance was generated from a global sector perspective.

The total return of fixed income investments was affected by the weakness in bond markets in the second quarter of the year but recovered in the second half, to give an overall total return of 3.6%. The Trust's holding in the Alliance Trust Monthly Income Bond Fund, which accounted for the majority of the investment in fixed income, had a total

Alliance Trust Investments won its first segregated mandate

January 2013

February 2013

SRI funds rebranded as Alliance Trust Sustainable Future Funds return of 3.2%, compared to 1.9% for the IBoxx Sterling Corporate Bond 5-15 year index which is the benchmark for that fund. The holdings in the Alliance Trust Dynamic Bond Fund returned 4.7%, showing the robustness of the investment approach during a period of volatile markets. The total weight in fixed income fell as a proportion of total net assets by more than 1% due to the relative strength of equities.

Other Assets, which include Private Equity, Property, Mineral Rights and Subsidiaries made a marginally negative contribution to NAV growth. Cash balances yielded a negligible return due to the continuing very low level of interest rates.

The low interest rate environment allowed the Trust to borrow at an average cost of 1.8%. Gearing was increased from £200m to £380m, to take advantage of the positive outlook for equities. The cost of borrowing was low in relation to the returns that were earned on the Trust's investments so the gearing was beneficial for overall performance.

Expenses of £21.5m reduced the NAV by 0.8% during the year. Buybacks had a small positive effect of around 0.04% of NAV.

Contribution Analysis (%)	**Average Weight**	**Rate of Return**	**Contribution to Total Return**
Equities	93.8	21.6	19.4
Fixed Income	7.9	3.6	0.3
Other Assets	7.3	-1.2	-0.1
Cash and Accruals	2.5	0.0	-0.2
Gearing (cost of borrowing)	-11.5	1.8	-0.2
Total	100.0	19.2	19.2
Expenses			-0.8
Share Buybacks			0.0
NAV Total Return			18.4
Narrowing of Discount			4.3
Share Price Total Return			22.7
MSCI ACWI Total Return			21.1

Source: Alliance Trust and FactSet

Equity portfolio attribution

The table overleaf analyses the performance of the Trust's equity portfolio by sector and the extent to which each part of the portfolio contributed to the overall return. We do not have a fixed benchmark as we believe that this would constrain our ability to shape the portfolio. However we recognise that many like to measure the Trust against an index and we show our performance relative to the chosen reference index, in this case the MSCI All Country World Index. The portfolio's return of 21.6% was slightly better than the index which returned 21.1%.

The table overleaf shows the weighting of the assets in the portfolio and the index and the return of each sector or asset class in the portfolio and the index.

The degree of out/underperformance is then attributed to:

- Sector Allocation – This measures the impact of over or underweighting each sector relative to the benchmark weightings. For example, we had more in Health Care than the index, and this sector performed better than the index.
- Stock Selection – This measures the degree to which the stocks that we held in each sector did better or worse than the sector index. For example, although we were overweight in Utilities which did not do well relative to the index as a whole, we selected good stocks in that sector.

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

The biggest overweight this year has been in Health Care which was the strongest sector in the market. Some of our holdings, such as Intuitive Surgical and Novo Nordisk, lagged in the short term but we remain confident about their future prospects.

March 2013

Results announced – special dividend declared

April 2013

Alliance Trust celebrates 125 years of investing

%	Alliance Trust Average Weight	Alliance Trust Total Return	MSCI All Country World Index Average Weight	MSCI All Country World Index Total Return	Sector Allocation Effect	Stock Selection Effect	Total Relative Effect
Consumer Discretionary	9.3	32.7	11.3	34.1	-0.2	0.0	-0.2
Consumer Staples	9.8	18.6	10.5	17.0	0.1	0.0	0.1
Energy	8.3	14.5	10.2	12.0	0.2	0.2	0.4
Financials	21.9	20.8	21.5	20.3	0.0	0.1	0.1
Health Care	14.0	25.1	10.0	34.0	0.5	-1.0	-0.5
Industrials	11.2	32.7	10.6	28.1	0.0	0.5	0.5
Information Technology	12.9	16.0	11.9	24.4	-0.1	-0.9	-1.0
Materials	4.2	1.1	6.4	-2.4	0.3	0.3	0.6
Telecommunication Services	3.1	21.5	4.2	22.0	0.0	0.0	0.0
Utilities	5.5	26.5	3.4	9.5	-0.2	0.8	0.6
Index Futures & Currency Forwards	-0.2	0.0	0.0	0.0	-0.2	0.0	-0.2
Equities	**100.0**	**21.6**	**100.0**	**21.1**	**0.4**	**0.0**	**0.4**

Source: Alliance Trust

Stock selection was strong in Utilities (e.g. China Gas Holdings and Enterprise Product Partners) and Industrials (e.g. Deutsche Post) but was relatively weak in Information Technology (e.g. Samsung Electronics).

The largest overall contributor to relative performance was Materials where the decision to avoid most of the mining stocks (especially gold stocks) in the MSCI Index was beneficial and offset the effects of negative returns from The Mosaic Company and Glencore Xstrata.

The largest sector in terms of absolute weight in the portfolio remains Financials. Stock selection was mixed in this sector, with some notable successes such as Prudential and Legal & General being offset by weak performance from Bangkok Bank and Standard Chartered.

In the second half of the year Sterling was strong, particularly against the US Dollar, reversing the move seen in the first half. As the equity portfolio has a relatively high weighting in UK stocks, the currency movement improved relative performance. However, this was partly offset by currency hedges that were designed to bring the overall currency positioning of the Trust closer to neutral.

In the fourth quarter a long position in Nikkei 225 index futures was established to add exposure to the Japanese market. The underlying exposure was equivalent to 5% of the equity portfolio's value at the year-end. The portfolio benefited from strength in the Japanese equity market without being exposed to currency risk from a weakening Yen. We closed this position after the year-end for risk management reasons.

Alliance Trust Cateran Yomp attracted over 400 entries. In 3 years over £1m has been raised for charity

May 2013

June 2013

Share price and NAV reached new highs

Review of financial performance

Consolidated results

For the year ended 31 December 2013 the consolidated profit per share was 81.38p (2012: 43.78p) comprising revenue earnings per share of 9.80p (8.61p) and capital profit per share of 71.58p (35.17p). Consolidated administrative expenses charged against revenue profits were £45.4m (£41.2m). Consolidated administrative expenses charged against capital profits were £1.9m (£1.6m).

Company total return

The Company generates returns through revenue earnings and capital growth. For the year ended 31 December 2013 the revenue earnings per share were 10.83p (9.74p) and the capital profit per share was 70.80p (35.40p) representing a total profit per share of 81.63p (45.14p).

Company revenue performance

Revenue earned from the Company's assets increased by 13% to £90.0m (£80.0m). The increased income was largely the result of a greater exposure to equities following an increase in the level of borrowings in February. Our top 10 income generating investments account for 21% of our investment income, with the largest being Zurich Insurance, HSBC, Resolution, Pfizer and Royal Dutch Shell.

Company capital performance

Last year saw an increase in the financial markets and our net asset value per share increased by 16.1% (9.6%) to 516.5p (444.9p). Gains on our investment portfolio totalled £416.1m (£198.5m).

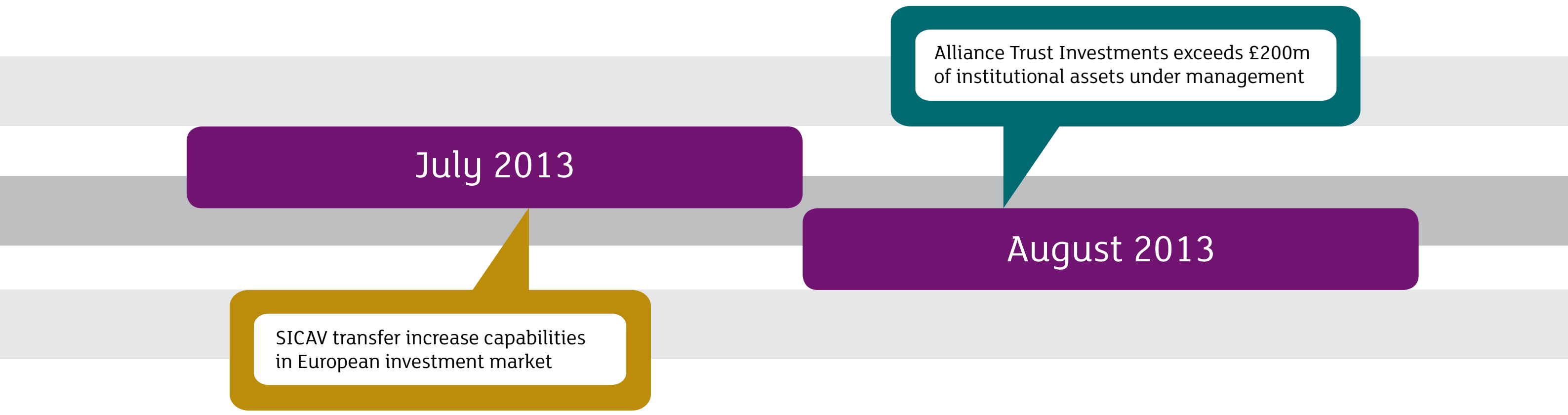
Company expenses

Although Company costs increased by 15% to £21.5m (£18.7m), we remain conscious of prevailing market conditions and the requirement to apply strict cost controls across the business. The main contributors to the increase were the higher cost of fund management and investment in compliance and risk functions to ensure that we remain fully compliant with an ever increasing range of new regulatory requirements, see pages 38 and 39.

Ongoing Charges Ratio

The Ongoing Charges Ratio was 0.75% (0.67%). As a self-managed investment company we apply 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 Ratio. We have, in line with the guidance, disclosed on page 117 the Ongoing Charges Ratio both including and excluding such capital incentives.

As the Company has substantial investments in the Monthly Income Bond Fund, Dynamic Bond Fund and Global Thematic Opportunities Fund, which are managed by Alliance Trust Investments, a proportion of the ongoing charges of these underlying funds have been incorporated into the Ongoing Charges. The proportion is based on the percentage of the fund held by the Company. It should be noted that 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. This is in accordance with the guidelines provided by the AIC.



Dividend

Alliance Trust has a long and proud tradition of annual increases in the dividend. We have increased the dividend in each of the last 47 years and are one of only three investment trusts which have such a track record. Our policy is that we aim to pay a sustainable and rising ordinary dividend and pay the balance of the income derived from the portfolio back to shareholders by way of a special dividend. The ordinary dividend for 2013 will rise by 3% to 9.548p. We are also announcing that the payment to shareholders for the year will also include a special dividend of 1.282p, which will be paid on 30 June 2014. This amounts to an increase in the total dividend payment for the year of 12.5%. The dividend is covered from earnings, ensuring that we maintain the capital base to deliver rising dividends in future years.

In the absence of any unforeseen developments, we expect to be able to recommend quarterly interim dividends of 2.4585p, payable on or around 30 June 2014, 30 September 2014 and 31 December 2014 and a fourth interim dividend of at least 2.4585p, payable on or around 31 March 2015.

Subsidiary businesses

The financial results of the subsidiary businesses are disclosed on pages 30 to 33 and in Note 19 on pages 97 to 99 which explains the basis of inter-company charging.

Borrowing facilities

At 31 December 2013 we had net debt of £380m or 11.6% (6.6%). The Company had committed funding lines of £450m (£400m) in place at the year end.

Discount and share buybacks

During the year we bought back 1.485m shares representing 0.3% of the Company's share capital at a total cost of £6.7m and a weighted average discount of 13.4%. The effect of our policy of buybacks has been to reduce the volatility of the discount of our share price to NAV and has ensured that the discount has not been allowed to drift wider. The shares bought back are cancelled rather than held in treasury.

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. Last year we reported that the discount had traded in a narrower range than in any of the previous five years and this has remained true in 2013.

During the first four months of 2013, the discount continued to narrow steadily, continuing a trend which had begun in June 2012. In May 2013 it reached its narrowest point (11.2%) at the time when markets were reaching their high point of the year. The discount widened over the summer as the markets grew concerned about the contagion effect of the budgetary developments in the US. As that threat appeared to be resolved, so the discount has started to narrow again and it continues to narrow in 2014.

September 2013

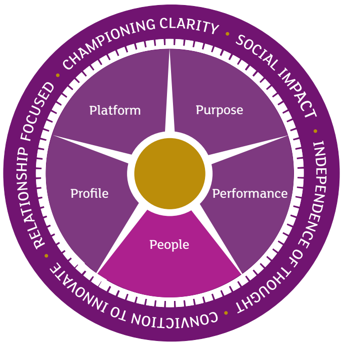
Alliance Trust Savings reached £5bn Assets Under Administration

October 2013

Alliance Trust highly commended in Moneyfacts Investment Life & Pensions Awards

People

Our people are the key to our success and unlocking their potential is the route to achieving our 2020 vision and strategy.



Selecting the best people

We recruit people who will fit well with the values and behaviours we set out for our business.

Where possible, we recruit from within and seek to develop and promote from our existing talent pool. By 2020 we have set ourselves an ambitious target to achieve more than 50% of vacancies filled by internal applicants.

We grow our own talent through an annual graduate scheme which rotates recruits around key business areas, before selecting a permanent area of specialism. A number of senior positions are now held by former graduate scheme members.

Rewarding success

We reward our people for performance and these rewards are linked to the success of our business and also aligned closely to our shareholder interests. The majority of our people are shareholders through our All Employee Share Ownership Plan and are therefore closely linked to the performance of the business.

We listen to our people

84% of our people take the time to tell us what they think through our Employee Engagement Survey.

Our engagement results are excellent and 81% of those who responded tell us that they would recommend Alliance Trust as a good place to work. We listen to their feedback and build improvements into our plans for the future.

Equality & diversity

We fundamentally believe that a diverse workforce will create the optimum environment upon which our business will thrive and grow.

We are committed to creating an inclusive environment where our people can develop and contribute fully.

In formulating and implementing our employment and recruitment policies we ensure that they are at all times compliant with all relevant EU and UK legislation. Recruitment, development and promotion is based solely on their suitability for the job to be done. We will not discriminate on the basis of gender, sexual orientation, age, race, nationality, disability or political or religious belief.

Our Executive Committee comprises 60% male and 40% female members.

The table below provides the gender split at different levels within the business.

	Male	Female
Board	3 (43%)	4 (57%)
Senior managers	47 (73%)	17 (27%)
Total workforce	121 (49%)	127 (51%)

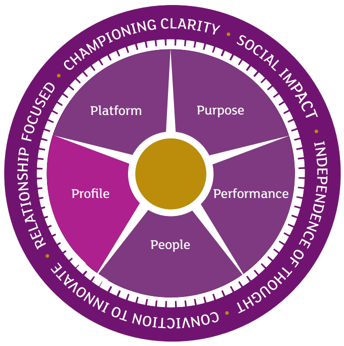
November 2013

Alliance Trust Investments won Best New Entrant at ESG Investment Awards

December 2013

Launch of the new Alliance Trust PLC website

Profile



We believe that we are in a unique position at Alliance Trust in that we offer products and services that should appeal to a broad cross-section of investors and meet a range of their investment requirements. We provide for investors who use collective investment vehicles. We offer a globally diversified investment trust and a range of open-ended funds. We also provide a savings platform upon which these, and other, investments may be held in a tax-efficient manner. We have been proactively promoting our products and services to consumers, intermediaries and institutions for a number of years and this has gone a long way to building our company brand awareness to date.

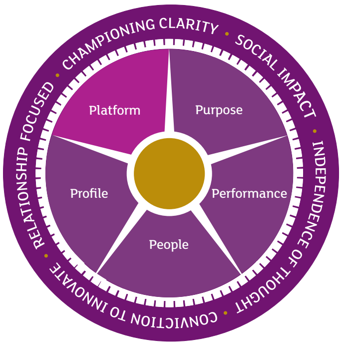
We believe that it is important that shareholders have all the information that they may reasonably need in order to make an informed decision and provide more disclosures than are required in order to assist this understanding. The flat-fee pricing structure in Alliance Trust Savings also provides transparency and certainty for retail investors.

However, with the introduction of the Retail Distribution Review, there are a large number of investors who are looking to manage their own portfolios. For them and others, education is going to play an important role in answering their questions. If we can be seen to provide assistance in this area, then we can engender trust and build up brand awareness by becoming recognised for providing valuable insight and guidance.

With that in mind, we have launched an online hub, in association with the Daily Telegraph, that has quality educational content focusing on topics such as introduction to investment planning, products in a portfolio, global diversification, retirement planning, planning for your family future etc. In 2014, we will be launching a group wide brand campaign focusing on education and guidance aiming at individual investors. We will be advertising these themes heavily with the objective of building brand awareness and, importantly, trust in our brand.

Our Investment Focus online hub.

Platform



During the year we have addressed a number of issues which would otherwise have affected our ability to continue investing and growing the business.

Outsourcing middle and back office investment functions

We reported last year that we had entered into an outsourcing agreement with BNY Mellon (BNYM) with a view to BNYM taking on the administration of certain of our middle and back office investment functions. During the year, the project has progressed and we are on track to deliver the first phase of the project during 2014.

The outsourcing arrangements, which are not expected to result in material cost savings, will however enable us to focus on managing the investment portfolio and also to ensure that middle and back office investment functions are delivered in a single, scalable and cost effective manner by our third party provider. It will also ensure that these services will develop in line with industry best practice.

Regulatory change – Alternative Investment Fund Managers' Directive (AIFMD)

The AIFM (Alternative Investment Fund Managers) Directive was conceived in the aftermath of the financial crisis in 2008. Its objective was to ensure that previously unregulated collective investment activities would be subject to regulatory oversight. Although the primary target was hedge funds, the legislation is broadly written to regulate a wide range of collective investments including investment trusts. Unlike many other investments in this category, investment trusts were already regulated by both the Companies Acts and the Listing Rules which apply to companies traded on the London Stock Exchange. The presence of an independent Board also acts to safeguard the interests of shareholders.

Alliance Trust has applied to the Financial Conduct Authority (FCA) for authorisation as a Manager under the Directive. As a self-managed trust we will act as our own manager and, as required, will appoint a third party as a Depositary for the Trust's assets. The principal duties of the Depositary are to ensure the safekeeping of investors' assets and to oversee the processes and procedures of the manager. The costs associated with implementation and the ongoing charges associated with the Directive will be borne by the Trust.

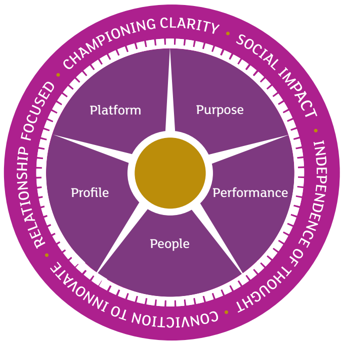
Savings platform

Alliance Trust Savings has entered into an agreement with GBST to deliver its platform technology solution. GBST is a leading global provider of securities transaction and online trading technology. The technology will be fully integrated within the business to improve the offering to customers and intermediaries, deliver operational efficiencies and support the growth of the business. The aim is to launch the new technology for intermediary new business in the early part of 2015, followed by the migration of existing customers towards the end of 2015.

Information technology

We believe that it is important that the technology we use provides us with the tools that we need to run our business efficiently but is also secure. In the course of the year we reviewed our IT systems, in conjunction with external security consultants, and enhanced controls to improve data security and to reflect industry developments.

Our values



Our values are shared beliefs within the business that drive our culture and provide a framework for decisions and behaviours; a compass for our actions, initiatives and how we behave. They are central to everything we do and underpin our focus on the delivery of long-term value for our shareholders.

Social impact

We are committed to creating a sustainable future for our shareholders, customers and communities. We are committed to a strategy of responsible investment and have a key role to play in supporting a stable capital market. We develop our employees to realise their full potential. We manage the impact of our direct operations on the environment, minimising our carbon footprint and we will begin to influence the actions of our suppliers. We play our part in supporting the communities in which we operate. We actively promote a sense of social responsibility in our own people and encourage our people to get involved and give something back to society.

Independence of thought

As an independent company, rather than part of a wider financial services group, we can chart our own course. We are not afraid to challenge the norm and are courageous in the way we think and the way we do things. We aim to be distinctive in our approach, in order to deliver better value for shareholders and customers. We are not afraid to ask one another tough questions - in a constructive and supportive way. We encourage our people to drive ideas forward with passion, energy and commitment and we see things through - we don't wait to be told.

The conviction to innovate

Larger or multi-national businesses can struggle to be flexible in how they operate. By contrast, we are a business which is big enough to have strong resources but small enough to be flexible and enterprising. We consistently aim to look for improvements in how we do business as well as opportunities in our markets that can offer value for our shareholders and customers in the short and longer term. We listen and are open to other people's ideas, finding the best solution for the business. We stretch ourselves to constantly improve and be the best we can.

Relationship focused

Our focus has always been on building long term, mutually beneficial alliances with shareholders, customers and business partners who trust us to deliver. We understand this kind of trust and loyalty has to be earned. We aim to do this through understanding and listening to our audiences, ensuring they feel valued, exceeding their expectations and ultimately, doing the right thing for our shareholders and customers. As well as focusing on our customers, we listen, co-operate and collaborate to support each other. We do what we say we will, building trust with our colleagues. We recognise and celebrate success.

Championing clarity

The investment world is built upon an ever-growing volume of complex information that can often feel daunting. Yet, all audiences want quality of insight over quantity of information. They also seek clear messages and open, not closed, doors. We aim to stand out as a business which takes the time and effort to be clear in our messages and to make complex information easier to digest for our shareholders, customers and employees. Internally, we aim to communicate face to face, avoiding email where we can. We are open and honest.

Investing for Generations – sustainability

The Alliance Trust sustainability strategy is called Investing for Generations. This strategy is focused on building our business for the long term. While we have been investing for 125 years we realise that to continue for the next 125 years, we need to remain as relevant to our shareholders, clients, and customers as we have always been.

We have identified five key areas of focus for our Investing for Generations strategy:

Responsible investing

We support and encourage our investment team to use our influence, as shareholders, to improve corporate responsibility. For example, following the collapse of the Rana Plaza factory in Bangladesh, we worked with other shareholders, representing about £1 trillion of assets under management, to champion the Bangladesh Accord on Fire and Building Safety. Our argument is that if incidents like this persist, apart from the devastating human impact, it will damage the brands of those companies, so there is a long-term shareholder benefit in making sure that companies respect human rights.

Our policy is to vote whenever practicable. As the quality of the management of a company in which we invest is a key consideration, in most cases we support management but we will engage with them and ultimately vote against their recommendations where we believe that their proposals are not in shareholders' interests.

Votes against management were mainly in respect of Asian companies and ranged from individual reappointments to severance packages and a corporate restructuring. Full details of our voting record can be found on our website www.alliancetrust.co.uk.

In favour of management recommendations	75
Against management recommendations	10

We will also engage with management throughout the year if we believe that a proposal is detrimental to the long-term future of the business. Recently we were concerned about the way in which a company was planning a major transaction. Although we were ultimately unsuccessful in making them change their plans many commentators agreed with our position and were critical of the way in which the transaction was undertaken.

We are signatories to the United Nations Principles for Responsible Investment (UN PRI) and two of our investment team are members of different UN PRI committees.

Shareholders and customers

We place our shareholders at the heart of everything that we do. They are the ultimate owners of the Trust and we are focused on the return that we generate for them.

In addition to the management of the portfolio, we are also very conscious of the impact that our interaction with the clients of our asset management business and the customers of our savings platform can have on our performance and reputation.

Alliance Trust Savings operates a customer charter that governs how we treat our customers. Our training programmes are designed to improve customer services and experience as it is by servicing their investment needs that we will provide better returns for our shareholders over the long term.

Environment

We are committed to managing the impact of our operations on the environment and embedding environmental management and improvement into all areas of our business. This commitment is the foundation of our environmental management system (EMS), which is based on International Standard ISO 14001:04.

Our EMS is supported by our environmental policy and related policies and procedures which set out our commitment to environmental stewardship and how we aim to minimise our impact on the environment.

We report on our greenhouse gas emissions on page 70.

Community

Our goal is to support the communities in which we operate.

We established the Alliance Trust Staff Foundation and have supported local charities operating within Dundee, Edinburgh and London.

We support Pilotlight, which places business professionals onto the Boards of charities, and some of our senior team members are now working directly with local charitable organisations. In collaboration with FutureReach we ran two workshops in local Dundee schools, helping to equip students with the necessary skills to secure employment in the future.

We allocate two volunteering days to our people per annum and encourage them to get involved in local projects or charitable activities.

People

Our goal is to provide rewarding careers for the people we employ and we aim to recruit, retain and develop the best talent in the marketplace.

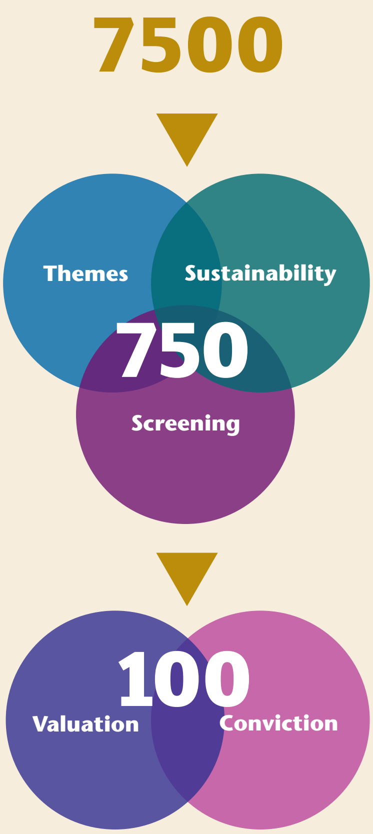
We encourage share ownership and this ensures that we align the interests of our people closely with the interests of our shareholders.

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 thematic 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 allows us to analyse in depth the list of possible holdings for conviction and valuation to produce the final portfolio of around 100 companies.



Description of themes

Environment

We need to use the planet's resources as efficiently as possible and we seek out those companies which seek to benefit from more efficient resource usage.

Agricultural productivity:

With more mouths to feed and a finite world to feed them from, we will continue to need to produce more and more food. We invest in companies that enable farmers to increase productivity.

Sustainable transportation:

We must learn to do more with less within transportation industries. Searching out innovation and efficiency gains should always be on a company's priority list. We are also aware that there is additional pressure from regulators around the world who mandate stringent emissions targets for vehicles in their markets.

Subsea oil:

In order to supply the world's oil needs, producers are searching and extracting from sources that are increasingly hard to reach. This is an area of exciting growth and requires companies with the expertise and technologies for tough environments.

Demographics

With the population of the world over seven billion and continuing to rise, we also see living standards and life expectancies rising, particularly in Asia.

Lifestyle:

Changes in lifestyle in the emerging markets have led to an increase in the incidence of what were traditionally viewed as western diseases. Diabetes is a prime example. Within this theme, healthcare companies, in particular, can help counter these diseases.

Financial services penetration:

Rising incomes and life expectancies increase the means and desire for financial services and savings products like pensions and life insurance.

Emerging luxury:

Rising disposable incomes provide the means and encourage the desire to buy luxury items.

Asian automation:

The downside of rising personal incomes for Asian companies is that this increases their costs. A way to offset this is through increased automation in manufacturing processes.

Global realignment

We continue to see a shift of power from West to East. Opportunities exist for companies to expand in these more vibrant environments.

Banking consolidation:

The global financial crisis of 2008 ushered in a new era of banking regulation and change of business models.

Turnaround:

Inevitably, from time to time some companies must face up to dramatic change as a result of structural shifts in their industry or competition from innovative new methods or technologies. With thorough research on a business and its management, we can identify companies where the market has been too quick to judge the company's model as a failure, and ignored its potential for rebirth.

List of stocks in theme

Portfolio position

- BASF
- BorgWarner
- China Gas
- Cummins
- Enterprise Products Partners
- Glencore Xstrata
- Integrated Waste Solutions
- Melrose Industries
- Monsanto
- Noble Energy
- Oceaneering International
- Perusahaan Gas Negara
- Praxair
- Rolls-Royce
- Schlumberger
- Schneider Electric
- Seadrill
- Technip
- Volkswagen

We maintained our positions in the US based BorgWarner, an auto components maker, and Cummins, a global leader in the design, manufacture and distribution of track engines and power generation systems. Over the year we increased our exposure to the subsea oil theme. This was done by starting new positions in Schlumberger and Technip.

- Aberdeen Asset Management
- AmerisourceBergen
- Bangkok Bank
- Charoen Pokphand Foods
- Coach
- CVS Caremark
- Diageo
- Experian
- Express Scripts
- Fanuc
- Fomento Economico Mexicano
- Grupo Financiero Banorte
- Humana
- Hyundai Mobis
- Komercni Banka
- Mattel
- Novo Nordisk
- Prudential
- Reckitt Benckiser
- Unilever
- WPP

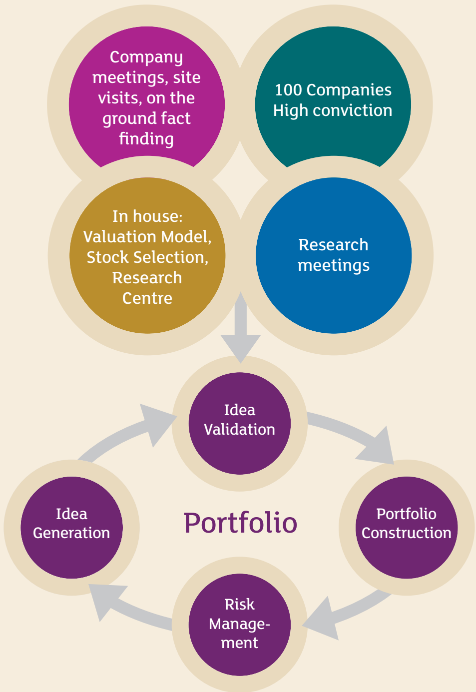
We continued to hold Novo Nordisk in Denmark, which focuses on diabetes care and offers insulin delivery systems as well as other diabetes products. We created a new position in Reckitt Benckiser, which is continuing to develop its consumer healthcare offering. Elsewhere in the UK, we sold the brewer SABMiller and the insurer RSA.

- Aviva
- Barclays
- BNP Paribas
- Citi
- Henkel
- HSBC
- Kraft Foods
- Mitsubishi UFJ Financial
- Pfizer
- Standard Chartered
- The Toronto-Dominion Bank
- Wells Fargo

We continue to hold Henkel, a German adhesives and household & personal care company as its turnaround progresses. We also started a position in Kraft, which is refocusing its business to perform solely in the well-developed US market.

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. At the same time the team aims to identify specific opportunities and complementary structural themes which assists it in analysing and forecasting long-term sustainable corporate development and financial performance. The typical investment horizon is three to five years. However, within the boundaries of this disciplined investment and risk management process, the team can also take opportunistic and shorter-term investment decisions. ESG scores are provided to us by MSCI for the large majority of the equity universe along with supporting documentation and ratings. We capture these scores within our investment process and they are reviewed for all companies we invest in or consider investing in.



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 are signatories to the UN Principles for Responsible Investment (UN PRI) which advocate 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. We are particularly concerned to ensure that the companies in which we invest comply with relevant employment legislation and their human rights obligations. 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 21.

Description of themes

Innovation

Innovation is what drives economies and humanity forward. We favour companies that are setup in such a way to constantly produce innovative new products or methods of working.

Smart communications:

Smartphones continue to be an essential accessory to day-to-day life and, as the technology and networks evolve, more and more users gain access to greater opportunities for communication and commerce.

Cloud computing:

Computing is constantly evolving and the latest step – a move to the cloud and the "internet of things" – provides opportunities for companies and consumers to use data, systems and shared services more effectively.

Personalised medicine:

As a result of the fascinating discoveries related to the human genome, we continue to see progress in the area of personalised medicine, with several drugs being approved in the last few years. The cost of DNA sequencing continues to fall and we believe that we are still at the beginning of this journey.

Income

Steady, sustainable income generation can be obtained from a few sectors and industries.

Energy income:

Many large oil majors offer relatively high dividends as they convert their significant oil reserves into free cash flow. Meanwhile, further discoveries and the emergence of US shale give expectation of increasing additions to their portfolios.

Property income:

A real estate investment trust (REIT) owns assets, such as offices, apartments or even communications towers, which generate a steady stream of income.

List of stocks in theme

- Accenture
- Amgen
- Cadence Design Systems
- Cerner
- Danaher
- GlaxoSmithKline
- Google
- Intuitive Surgical
- Liberty Global
- Qualcomm
- Roche Holding
- Samsung Electronics
- Sanofi
- SAP
- Twenty-First Century Fox
- United Technologies
- Visa
- Walt Disney

Portfolio position

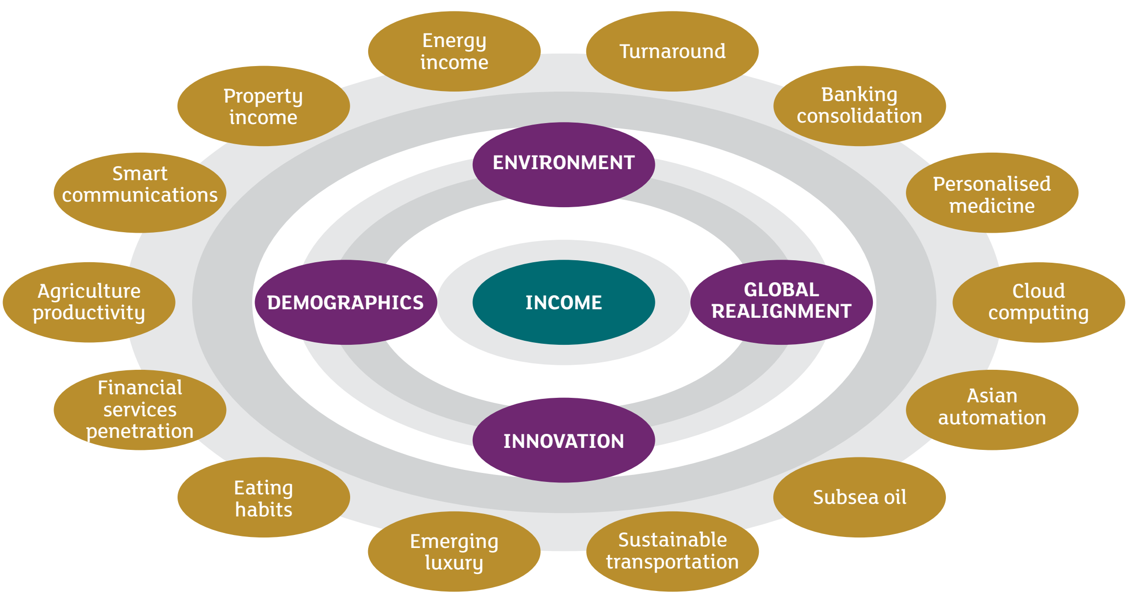
We continue to hold Qualcomm and Samsung. We added to Accenture, a leading provider of global management consulting outsourcing and IT services. We sold Microsoft, the US software company.

We continued to hold Roche of Switzerland. Amgen is another holding increasingly interested in the personalised medicine approach as evidenced by their acquisition of deCODE genetics, a global leader in analysing and understanding the human genome, based in Iceland.

- American Tower
- Ascendas Real Estate Investment Trust
- Ashmore Global Opportunities
- bpost
- Deutsche Post
- Eni
- Gtech
- Legal & General
- M1
- Marsh & McLennan
- National Grid
- Och-Ziff Capital Management
- Plum Creek Timber
- Resolution Limited
- Rogers Communications
- Royal Dutch Shell
- Swedbank
- Taiwan Mobile
- Telecom New Zealand
- Total
- Vodafone
- Vtech
- Wisconsin Energy
- Zurich Insurance

We continued to build a position in M1, a Singapore mobile voice, data communications, broadband and fixed communications services company in Singapore. We sold Axiata, a Malaysian telecommunications company.

We started a new position in Wisconsin Energy, a US utility company that operates in a benign regulatory environment.



Portfolio Review

Rogers Communications
(Income)

(Total Return 8%. Initial investment in June 2013)

Rogers Communications operates as a diversified communications and media company in Canada, through three segments: Wireless, Cable, and Media. The company was founded in 1960 and is based in Toronto, Canada.

Reckitt Benckiser
(Demographics)

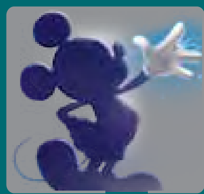
(Total Return -1%. Position acquired in May/June 2013)

Reckitt Benckiser is a global consumer goods company with leading brands in Health, Hygiene and Home products. The heart of its growth strategy is to shift its focus towards the faster growing consumer health and hygiene markets. They will also benefit from rising income and favourable demographic trends in developing countries where they are investing heavily (emerging markets will account for about 50% of non-pharmaceutical sales in 2015).

Walt Disney (Innovation)

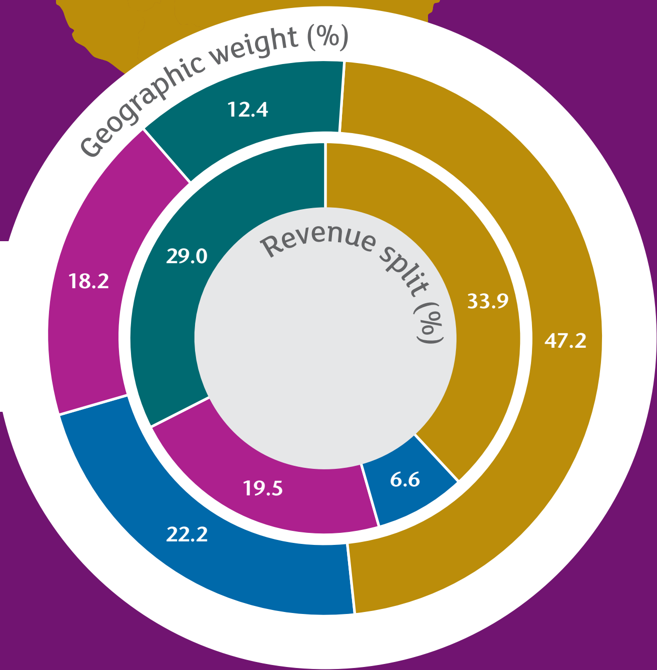
(Total Return 31%. Initial investment in February 2013)

Walt Disney is a leading US media content business which benefits from growing Pay TV penetration in emerging markets as well as a very healthy US Pay TV ecosystem. Its strong media franchises such as Disney, Marvel, Cars and Star Wars can also be leveraged through its parks and resorts as well as its consumer and games business.



Geographical weight

The geographical weight of our core equity portfolio is based on the region in which the company is listed, while the revenue split analyses the segmental reporting of revenue by the companies in which Alliance Trust invests. Analysis excludes segmental non-specific income such as "Rest of the World" (11%) as the definition varies from company to company.



North America
Europe
UK
Asia & Emerging Markets

China Gas (Environment)

(Total Return 85%. Position reduced as price performed)

China Gas is one of the major gas distributors in China, which has seen volumes grow by 20% annually. The Chinese Government's drive to increase gas usage at the expense of coal is due to the huge pollution problems the country has now and which it fears will worsen. Therefore the Government has set out a key policy on supply gas growth, from which China Gas is well positioned to benefit.

BNP Paribas (Global Realignment)

(Total Return 38%. Net purchase of 200,000 shares during the year)

BNP Paribas attracts deposits and offers commercial, retail, investment, private and corporate banking services. The Bank also provides asset management and investment advisory services to institutions and individuals in Europe, the United States, Asia and the Emerging Markets.

We believe that BNP's level of capital, the integration of Fortis and its global and pan-european footprint is underappreciated.

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Classification of Investments (%) Source: Alliance Trust

	North America	UK	Europe	Asia	Emerging Markets	Total Dec 13	Total Dec 12
Energy	2.6	0.5	3.9	0.0	0.0	7.0	7.2
Materials	2.0	0.9	0.9	0.0	0.0	3.8	5.8
Industrials	4.9	1.8	2.8	1.1	0.0	10.6	9.8
Consumer Discretionary	7.8	0.9	1.7	0.5	0.0	10.9	6.7
Health Care	8.4	1.3	3.3	0.1	0.0	13.1	12.2
Consumer Staples	3.1	3.1	0.9	0.6	0.8	8.5	10.0
Telecommunication Services	2.0	1.2	0.0	1.4	0.0	4.7	2.0
Utilities	2.4	1.4	0.0	1.2	0.0	5.1	4.7
Financials	5.7	10.2	2.8	2.4	1.3	22.3	17.1
Information Technology	6.8	0.0	1.3	2.3	0.0	10.4	13.3
Equity Index Futures	0.0	0.0	0.0	0.2	0.0	0.2	-
Core Equity Portfolio	**45.6**	**21.4**	**17.6**	**9.9**	**2.1**	**96.6**	**88.8**
Other Assets	0.5	0.3	0.0	0.0	0.0	0.8	1.0
Private Equity	0.0	4.1	0.0	0.0	0.0	4.1	4.8
Subsidiaries	0.0	1.6	0.0	0.0	0.0	1.6	1.7
Property	0.0	0.5	0.0	0.0	0.0	0.5	0.4
Fixed Income	0.0	7.6	0.0	0.0	0.0	7.6	9.6
Total Investments	**46.1**	**35.5**	**17.6**	**9.9**	**2.1**	**111.2**	**106.3**
Net Cash / (Gearing)	0.1	-11.7	0.0	0.0	0.0	-11.6	-6.6
Other Net (Liabilities) / Assets	0.0	0.4	0.0	0.0	0.0	0.4	0.3
Net Assets	**46.2**	**24.2**	**17.6**	**9.9**	**2.1**	**100.0**	
Net Assets Dec 2012	**40.1**	**30.6**	**14.8**	**13.7**	**0.8**		**100.0**

Portfolio Review

All quoted equity holdings as at 31 December 2013

Stock	Country of listing	Theme	Value £m	% of quoted equities
Pfizer	United States	Global Realignment	68.1	2.6%
United Technologies	United States	Innovation	64.8	2.5%
Walt Disney	United States	Innovation	64.2	2.5%
Qualcomm	United States	Innovation	55.9	2.2%
Prudential	United Kingdom	Demographics	52.6	2.0%
Enterprise Products Partners	United States	Environment	52.4	2.0%
Visa	United States	Innovation	50.2	1.9%
Samsung Electronics	South Korea	Innovation	49.8	1.9%
CVS Caremark	United States	Demographics	48.1	1.9%
Accenture	United States	Innovation	48.1	1.9%
Express Scripts	United States	Demographics	44.9	1.7%
HSBC	United Kingdom	Global Realignment	43.9	1.7%
Eni	Italy	Income	41.7	1.6%
National Grid	United Kingdom	Income	41.4	1.6%
Legal & General	United Kingdom	Income	38.8	1.5%
Amgen	United States	Innovation	38.5	1.5%
Wells Fargo	United States	Global Realignment	38.2	1.5%
GlaxoSmithKline	United Kingdom	Innovation	37.8	1.5%
Reckitt Benckiser	United Kingdom	Demographics	37.3	1.4%
Danaher	United States	Innovation	37.2	1.4%
Resolution Limited	United Kingdom	Income	36.5	1.4%
Deutsche Post	Germany	Income	36.1	1.4%
Vodafone	United Kingdom	Income	36.1	1.4%
Total	France	Income	35.9	1.4%
Rogers Communications	Canada	Income	35.0	1.4%
Kraft Foods	United States	Global Realignment	34.1	1.3%
Twenty-First Century Fox	United States	Innovation	33.6	1.3%
SAP	Germany	Innovation	33.6	1.3%
Swedbank	Sweden	Income	33.3	1.3%
Mitsubishi UFJ Financial	Japan	Global Realignment	32.6	1.3%
Roche Holding	Switzerland	Innovation	32.5	1.3%
BorgWarner	United States	Environment	31.8	1.2%
Sanofi	France	Innovation	31.7	1.2%
The Toronto-Dominion Bank	Canada	Global Realignment	31.1	1.2%
Barclays	United Kingdom	Global Realignment	30.6	1.2%
Noble Energy	United States	Environment	30.3	1.2%
Diageo	United Kingdom	Demographics	29.8	1.1%
Fanuc	Japan	Demographics	29.6	1.1%
Coach	United States	Demographics	28.7	1.1%
Aberdeen Asset Management	United Kingdom	Demographics	27.9	1.1%
Grupo Financiero Banorte	Mexico	Demographics	27.5	1.1%
AmerisourceBergen	United States	Demographics	26.6	1.0%
WPP	United Kingdom	Demographics	26.5	1.0%
Praxair	United States	Environment	26.2	1.0%
Melrose Industries	United Kingdom	Environment	25.8	1.0%
BNP Paribas	France	Global Realignment	25.7	1.0%
Schneider Electric	France	Environment	24.9	1.0%
Monsanto	United States	Environment	24.5	0.9%
Volkswagen	Germany	Environment	24.1	0.9%
Google	United States	Innovation	24.1	0.9%
Liberty Global	United States	Innovation	24.1	0.9%
Glencore Xstrata	United Kingdom	Environment	23.4	0.9%
BASF	Germany	Environment	23.2	0.9%
Standard Chartered	United Kingdom	Global Realignment	22.4	0.9%
Novo Nordisk	Denmark	Demographics	22.1	0.9%
Cummins	United States	Environment	22.0	0.9%
Aviva	United Kingdom	Global Realignment	22.0	0.8%
Seadrill	Norway	Environment	21.9	0.8%
Fomento Economico Mexicano	Mexico	Demographics	21.8	0.8%
China Gas	Hong Kong	Environment	21.6	0.8%
Henkel	Germany	Global Realignment	21.3	0.8%
Citi	United States	Global Realignment	20.9	0.8%
Cadence Design Systems	United States	Innovation	20.4	0.8%
Schlumberger	United States	Environment	20.2	0.8%
Mattel	United States	Demographics	19.5	0.8%
Unilever	United Kingdom	Demographics	19.1	0.7%
Zurich Insurance	Switzerland	Income	19.0	0.7%
Charoen Pokphand Foods	Thailand	Demographics	18.3	0.7%
Marsh & McLennan	United States	Income	18.1	0.7%
American Tower	United States	Income	17.7	0.7%
Oceaneering International	United States	Environment	17.2	0.7%

All quoted equity holdings as at 31 December 2013

Stock	Country of listing	Theme	Value £m	% of quoted equities
bpost	Belgium	Income	16.5	0.6%
Bangkok Bank	Thailand	Demographics	16.1	0.6%
Gtech	Italy	Income	16.0	0.6%
Plum Creek Timber	United States	Income	15.9	0.6%
Telecom New Zealand	New Zealand	Income	15.5	0.6%
Humana	United States	Demographics	15.4	0.6%
Hyundai Mobis	South Korea	Demographics	14.7	0.6%
Wisconsin Energy	United States	Income	14.7	0.6%
Rolls-Royce	United Kingdom	Environment	14.6	0.6%
Intuitive Surgical	United States	Innovation	14.3	0.6%
Ascendas Real Estate Investment Trust	Singapore	Income	14.0	0.5%
Taiwan Mobile	Taiwan	Income	13.9	0.5%
Perusahaan Gas Negara	Indonesia	Environment	13.9	0.5%
Cerner	United States	Innovation	12.9	0.5%
Royal Dutch Shell	United Kingdom	Income	11.5	0.4%
Experian	United Kingdom	Demographics	11.4	0.4%
Vtech	Hong Kong	Income	11.4	0.4%
Och-Ziff Capital Management	United States	Income	11.2	0.4%
M1 Limited	Singapore	Income	11.0	0.4%
Technip	France	Environment	9.6	0.4%
Ashmore Global Opportunities	United Kingdom	Income	9.5	0.4%
Komercni Banka	Czech Republic	Demographics	9.0	0.3%
Integrated Waste Solutions	Hong Kong	Environment	0.3	0.0%
		Total value	**2,590.0**	

Source: Alliance Trust

Funds as at 31 December 2013

Fund	Country of registration		Value £m
Alliance Trust Global Thematic Opportunities Fund	United Kingdom		205.5
Alliance Trust Monthly Income Bond Fund	United Kingdom		165.3
Alliance Trust Dynamic Bond Fund	United Kingdom		53.3
		Total value	**424.1**

Other assets as at 31 December 2013

Investment	Region		Value £m
Private Equity	United Kingdom/Europe		117.7
Subsidiaries	United Kingdom		39.9
Other	United Kingdom		16.8
Property	United Kingdom		14.7
Mineral Rights	North America		13.2
		Total value	**202.3**

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

Alliance Trust Investments

Sustainable and Responsible Investments (SRI)

"The most profound force shaping the 21st century global economy is the essential shift to environmentally and socially sustainable growth."

Fixed Income

"We aim to use our knowledge and experience to deliver consistent above benchmark returns for our clients from global bond markets."

Global Equities

"We search the world for the best investment opportunities, combining detailed analysis of individual companies with an assessment of how the world is changing structurally."

Alliance Trust Investments is a specialist fund management business offering a broad selection of open-ended funds and investment solutions.

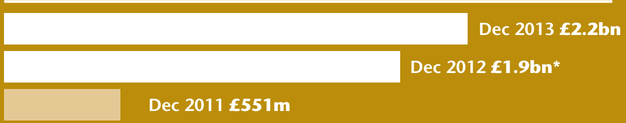
Last year we reported that we had entered into an agreement with Aviva Investors under which we engaged a team of specialist Sustainable and Responsible Investment (SRI) managers and acquired around £1.2bn of third party assets. This year we have seen the positive impact of this transaction with an improved financial performance and increased assets under management. We are showing an operating loss for the year of £4.2m compared to £6.6m the previous year.

Our fund managers have delivered good investment performance with over 80% of our funds being ranked in either the first or second quartile against their peers for the year.

Our SRI managers are now a core part of our business and have increased the level of retail investor funds under management. They have also attracted mandates from institutional investors seeking managers who can provide both a sustainable approach to investment and good returns. Of our seven UK Sustainable Future funds, six have out-performed their benchmark over the year and are either first or second quartile against their peers.

Our Fixed Income funds have also proved attractive to investors and they have grown by around 4% in a sector which has seen significant outflows. Our three funds serve different markets; the Monthly Income Bond Fund provides a vehicle for retail investors seeking a regular income, the Dynamic Bond Fund is designed to provide a solution for institutions and pension schemes. The Sustainable Future Corporate Bond Fund aims to produce a higher income than government bonds by investing in bonds issued by companies that meet sustainable and responsible investment criteria. The Monthly Income Bond Fund and the Sustainable Future Corporate Bond Fund were both in the second quartile of their peer group for the year. The Dynamic Bond Fund delivered its objective of providing an absolute return of around 6% for the year.

Assets under management



Third party assets under management

* including assets under advice

Our Global Thematic Opportunities Fund, which aims to achieve long-term capital growth, was launched two years ago. This year it has provided a return of 24% and is in the second quartile of its peer group. It will be marketed actively once it has built up a longer track record.

In the course of the year we closed two funds which were not core to our future strategy.

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 managers who, between them, have previously managed significant third party assets at leading investment houses.
- Investment performance - five of our funds were top quartile over the year.
- Investment choice - we have a wide range of funds available to suit both institutional and retail investors.

Strategy

- We intend to continue to build upon the investment skills of our managers and where we identify opportunities we will launch new funds to take advantage of these skills.
- We will look to reposition our SRI funds as a more mainstream product but still retain the ethical strengths of these funds.
- We plan to extend our distribution channels and target those institutional market sectors where we see our fund range proving an attractive proposition.
- We will continue to seek out strategic partnerships that can add value and pursue other opportunities to introduce additional assets under management to complement the organic growth of our existing funds.

Financial performance

Net revenue

Alliance Trust Investments' 142% increase in net revenue was mainly due to a full year of fees from the SRI assets and fees from £424m of capital invested by Alliance Trust in ATI funds (Global Thematic Opportunities Fund, Dynamic Bond Fund and the Monthly Income Bond Fund).

Average third party basis points

The average 45 basis points earned on third party revenue increased slightly from the prior year.

Expenses

Expenses increased by £3.0m. The increase was largely due to the one-off acquisition costs of the SRI funds and the first full year's costs of that team, along with the closure costs of two non-core funds.

Net assets

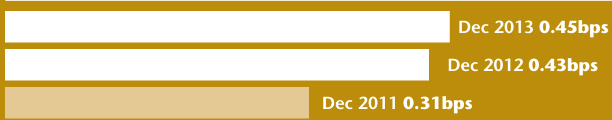
During the year Alliance Trust invested £11.5m in the business reflecting the additional capital required to support the larger assets under management following the transfer of the SRI assets.

	2013 £m	**2012 £m**
Net Revenue	9.2	3.8
Expenses	(13.4)	(10.4)
Operating loss	**(4.2)**	**(6.6)**
Fair valuation*	12.8	10.1

* The fair valuation methodology and assumptions are described in Note 23.8 on page 109.

The cumulative capital investment in Alliance Trust Investments is £40.2m.

Third party average net revenue



Third party net revenue

Alliance Trust Savings

We deliver award winning products

Best Junior ISA investment scheme HIGHLY COMMENDED Alliance Trust

BEST ONLINE STOCKS & SHARES ISA PROVIDER
ALLIANCE TRUST SAVINGS

Best Junior ISA Provider

...and service

Alliance Trust Savings has delivered a profit for the first time in eight years, and is now very well positioned to continue its growth in the platform market and deliver increasing profits. Our continuing platform business generated an operating profit of £0.4m excluding the gain on sale of the Full SIPP business and non-recurring RDR expenditure as outlined below.

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

The platform business has made strong progress with assets under administration increasing by 33%, which includes a 405% increase in new accounts from the intermediary market. We incurred non-recurring expenditure of £2.0m to promote the RDR readiness of the business. We made a net gain of £5.4m from the sale of the Full SIPP business which completed in the early part of the year. The disposal of the Full SIPP has allowed the business to focus on the growth and development of the platform.

2014 will see the implementation of the next phase of the Retail Distribution Review (RDR), with platform charging transparency becoming effective from 6 April. Alliance Trust Savings has always been transparent and with its flat-fee structure is in an excellent position to take advantage of this change. We have taken the opportunity to realign our pricing and to strengthen our flat-fee structure with a more inclusive annual fee.

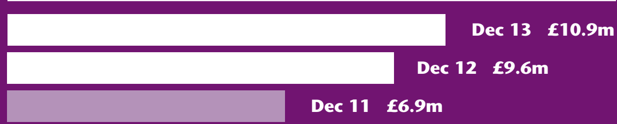
To take advantage of these changes and our excellent proposition, we plan to promote our offering in both the direct and intermediary channels through a significant advertising and marketing campaign over the next two years.

We are also investing in the business through new technology which will help deliver increased functionality, initially in the intermediary market, with a much improved customer experience and efficiencies across the whole business. One-off costs associated with this investment are expected to be around £2m, with ongoing variable costs based on volumes.

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 widest 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 in both the direct and intermediary markets.
- To continue to improve technology and simplify the business to improve efficiencies and customer experience.
- To enhance our intermediary proposition to position ourselves as one of the leading platforms in the market.

Financial performance (continuing operations)

Revenue

Revenue increased 14% reflecting the introduction of quarterly charges on the Investment Dealing Account from August 2012 and a 16% increase in dealing volumes. Net interest income, which accounts for only 16% of revenue, reduced to £1.8m despite an increase in average customer deposits reflecting the reduced deposit rates paid by banks.

Expenses

Expenses increased by 5% to meet customer service growth and the increased cost of regulatory compliance.

Net assets

There were no capital injections into Alliance Trust Savings during the year.

Continuing operations*	2013 £m	2012 £m
Revenue	10.9	9.6
Expenses	(10.5)	(10.0)
Operating profit/(loss)	**0.4**	**(0.4)**
Fair valuation**	26.7	24.6
Core Tier 1 Ratio	20.5%	20.7%
Total Capital Ratio	27.1%	27.6%

* Excluding the revenue and expenses relating to the Full SIPP business which was sold in January 2013 and non-recurring RDR expenditure.

** The fair valuation methodology and assumptions are described in Note 23.8 on page 109.

The cumulative capital investment in Alliance Trust Savings is £52.8m.

Number of trades

Customer accounts

Other investments

Private equity

Our private equity interests are predominantly in lower to mid-market European private equity buy-out funds which invest across a range of sectors and countries. In addition to our fund holdings, we also have small direct investments in three private companies.

The private equity portfolio demonstrates our willingness and ability to invest for the long term, with our funds often committed for longer than 10 years. Our commitment to responsible investment is also reflected in the portfolio.

Several of the fund managers are signatories to the United Nations Principles for Responsible Investment, and resource efficiency is a common investment theme in the majority of the funds.

The total committed to private equity funds at 31 December 2013 was £161m, of which £133m has been invested. Distributions to us from the funds are expected to accelerate as the funds mature over the next few years.

Mineral rights

The Trust owns the mineral rights to land in the Southern and Mid Western United States. These are legacy positions from the time when Alliance Trust's principal activity was that of a mortgage bank, focused on lending to farmers in the United States. Historically, we have generated royalty income from the oil and natural gas that has been extracted from this land and have valued the assets on the basis of the revenue it has generated. Over the last 12 months, we have seen an increase in leasing activity which has led to an increase of 115% in the revenue received and this in turn has led to an increase in the valuation of the portfolio by around 48%, despite the strength of Sterling.

Property

Alliance Trust reduced its exposure to property late in 2013 as part of the continued strategy to exit from direct real estate investment. The sale of 107 George Street, Edinburgh for £5.0m was completed in December.

The market value of Monteith House, 11 George Square, Glasgow fell from £4.9m to £4.5m. The market valuation was primarily derived using comparable recent market transactions on arm's length terms and in accordance with RICS guidelines, undertaken by an independent professional valuer.

The Climate Change Property Fund Limited Partnership, which we have held since 2008, has made some asset disposals in 2013 and as a result distributions are starting to flow back to Alliance Trust as a limited partner. The valuation stood at £10.2m at the end of the year.

Outlook

Looking forward into 2014, we believe that equities remain relatively good value, particularly when compared to other asset classes. Although stock markets can no longer be described as cheap, at a company level we continue to see a range of interesting investment opportunities in well managed companies with strong balance sheets and sustainable business models. These are the investments we seek and they still offer value and the prospect of above average returns, particularly for long-term investors such as Alliance Trust.

Our assessment of the global economic backdrop has improved and most commentators agree that global output will expand in 2014. The recent World Bank forecast suggests global economic growth will be 3.2% and it has issued a more favourable outlook for Europe. This backdrop will help underpin investor confidence as well as business investment, which slowed in 2012 and 2013. However, there are risks inherent in the financial system and we are not complacent about the potential consequences that the unwinding of quantitative easing might bring, as witnessed at the start of 2014. Other areas that still cause concern are the US debt ceiling, "Abenomics" in Japan and the risk of a hard landing in China; none of these should be underestimated. We believe that the best way to protect and grow shareholder value is to focus on the stock-specific risks and our rigorous and thematic bottom-up approach brings to light companies that will be successful throughout the economic cycle. We are confident that we can maintain a portfolio of companies that are well placed to drive future returns for the Trust.

In addition to our equity portfolio we continue to hold investments in mineral rights and private equity. While our investments in private equity do not generate income we expect significant capital distributions in the future. Income from our legacy mineral rights continues to increase as we actively manage these historic assets.

Despite the prospect of further "tapering", global monetary policy will remain loose and fiscal policy should become less restrictive as economies gather momentum. Unemployment remains an issue in some areas although domestic demand is increasing in others, particularly in the UK, the US and parts of Europe. Productivity needs to rise in 2014 but an increase in business investment and subdued wage inflation will help.

It promises to be a very interesting year. With an improving economic backdrop and the prospect of the US Federal Reserve reducing the amount of stimulus it provides, there could be a negative impact on equity markets across the globe. The Scottish political landscape will also be under close scrutiny culminating in an independence referendum in September. Although our focus will continue to be on stockpicking, these and other issues will keep us vigilant throughout the year.

Importantly, even though we constantly monitor global macroeconomic developments, the portfolio continues to be focused on core holdings that are underpinned by long-term, structural thematic drivers.

Demographic change represents a critical backdrop for several companies that we are invested in. The emergence of new middle classes in developing economies is very supportive for the current and future growth of, for example, Reckitt Benckiser and Unilever. Greater penetration of financial services in countries like Mexico and Indonesia will lead to superior value creation for our holdings in Grupo Financiero Banorte and Prudential, respectively.

Challenges associated with the environment and the use of natural resources can represent a source of opportunity for companies that provide the right solutions. Monsanto is helping to address the long-term issue of food scarcity, through its advanced seed technology. Sustainable transportation is enabled by companies that increase fuel efficiency, like BorgWarner. The high level of pollution in China will be tackled by a progressive shift from coal to natural gas as the primary source of energy – our holding in China Gas is well placed to benefit from that transition.

Innovation is another area of focus for the portfolio. Cloud computing is forcing the corporate world to revisit their IT strategies - many Fortune 500 companies are supported by Accenture in a multi-annual process of transformation. Exciting developments in personalised medicine open new growth opportunities for companies with first-class biotechnology capabilities like Roche.

In line with our tradition, our emphasis remains focused on stocks with potential for sustainable capital growth and income generation. We believe that this will provide consistent returns and a rising dividend over the long term.

Strategic Report

The Strategic Report (pages 2 to 39 of this document) has been approved by the Board and signed on its behalf by

Katherine Garrett-Cox, Chief Executive
6 March 2014

Risk

Risk Management Structure

The Group's Risk Management Framework provides a robust and comprehensive approach for the identification and management of key risks facing the business. The risk framework considers risks aligned to categories covering Strategic, Market, Operational, Conduct, Legal, Regulatory and Disclosure and reports on these risks on a regular basis to the relevant governance meetings.

Board Risk Committee

The Board Risk Committee was established in early 2013 as a committee of independent directors, with delegated responsibility from the Board to provide oversight and challenge of the appropriateness of the risk management framework and the forward looking risks facing the Group.

Risk Management Committee

The Risk Management Committee, chaired by the Chief Financial Officer, ensures 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. Where risks breach the Group's agreed risk appetite, they are escalated for consideration at the Risk Management Committee.

Appointment of Director of Risk and Compliance

In June 2013 a Director of Risk and Compliance was appointed reporting to the Chief Executive. This appointment provides dedicated Risk & Compliance presence on the Executive Committee and focused senior leadership to drive forward the activities required to meet regulatory expectations, ensure compliance with future regulatory developments such as the Alternative Investment Fund Managers Directive (AIFMD) and ensure robust risk management across the Group.

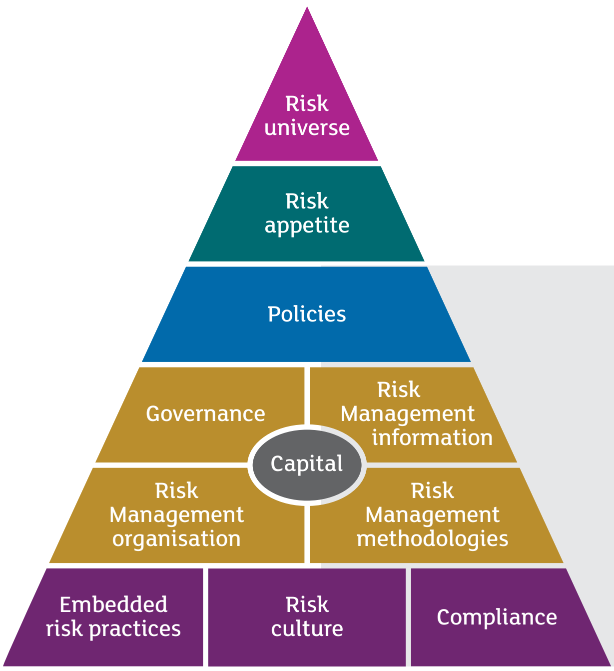
Risk Outlook

The Group has established processes designed to assess the threats to the firm via formal quarterly Risk and Control Self Assessments (RCSA) and Risk Outlook workshops. The key risks to the Group include:

- Strategic, Market and Operational Risks, which would include the potential impact of the vote on Scottish Independence.
- The volume and significance of regulatory change e.g. AIFMD, European Market Infrastructure Regulation (EMIR), Capital Requirements Directive IV (CRD IV), Foreign Account Tax Compliance Act (FATCA) and others.
- Brand and Reputation – activities that result in damage to the external reputation of the Group.

Risk Appetite

Risk appetite statements have been developed across the Group against all risk types, creating a baseline for how much risk the Group is prepared to accept for a specific return. This process is aligned to the strategy development activity and supported by an appropriate suite of measures that monitor adherence to the stated triggers and limits.



Our Risk Management Framework

The Group has developed a Risk Management Framework and methodology that incorporates a number of individual components that create a robust and responsive risk capability across the Group.

Risk appetite has been developed and approved by the Board and provides the basis for the level of risk the Group is prepared to accept. This is reinforced through minimum standards communicated via the Group Policy Framework.

Risk Management Information is appropriate to support Board and Committee decision making, escalating concerns as required.

The Risk Management Framework supports the ICAAP process, assisting in determining the capital requirements of the Group.

1st line of defence

Business management are responsible for the identification and assessment of risks, understanding the risk return strategy and operating appropriate controls.

Key attributes

- Promote a strong risk culture and sustainable risk-return thinking
- Promote a strong culture of adhering to limits and managing risk exposures in accordance with the approved risk appetite and the associated policy requirements
- Ownership, responsibility and accountability for identifying the risks arising from business activities
- Ongoing monitoring of inherent and identified risks
- Governance process includes committees who will review and monitor risks efficiently and effectively

2nd line of defence

The Risk Management Committee, together with the risk function, provides challenge on the completeness and accuracy of risk assessments, risk reporting and the adequacy of mitigation plans.

Key attributes

- Overarching risk oversight across all risk types
- Understand aggregated risk positions and support in developing and advising on risk strategies
- Objective oversight and challenge to the business areas and internal control framework used in the first line
- The Risk Management Committee is supported by the monitoring, advisory and challenging activities of the Risk and Compliance function

3rd line of defence

Internal Audit and the Board Risk and Audit Committees provide independent and objective assurance on the robustness of the Risk Management Framework and the appropriateness and effectiveness of internal controls.

Key attributes

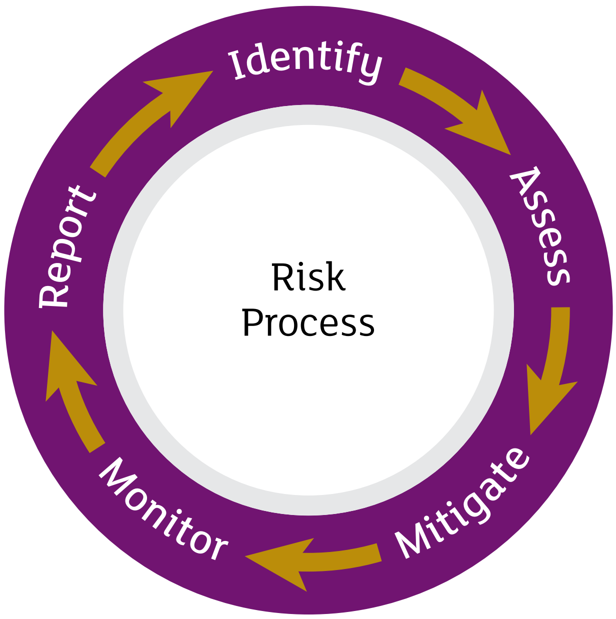
- Independent assurance on the robustness and application of the risk framework
- Assess the appropriateness and effectiveness of internal controls
- Ability to link business and risk with process
- The Internal Audit function provides assurance to the Audit Committee.
- The Audit Committee report to the Board on effectiveness of internal control framework
- The Board Risk Committee is chaired and attended by Non-Executive Directors, providing independent oversight of the key activities of the business

Risk and Control Self Assessment (RCSA)

The RCSA is the methodology that allows our business areas to identify and assess risks, define controls and perform quarterly testing of controls. Individual risk and control owners are assigned with explicit responsibility for the ongoing monitoring and management of risks. The risk function undertakes a quarterly review and challenge of the RCSA and underlying evidence.

Effectiveness of the Risk function

The Risk and Compliance function is subject to regular review, both in terms of resource and the appropriateness of the skills that reside within the team. In addition, the Board Risk Committee and Risk Management Committee are subject to effectiveness reviews with improvements being identified and implemented where required.



Risk

We have assessed the principal risks that may impact the delivery of our business priorities. The risks have been categorised as Strategic, Market, Operational, Conduct, Legal, Regulatory and Disclosure. Against each category we have considered the specific risks that impact our business and have outlined the risk mitigation actions taken. We also provide details of the key activities undertaken during 2013 to monitor and track risk exposures.

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.
- Uncertainty around the debate on Scottish Independence over such matters as jurisdiction and taxation of savings and pension plans, financial services regulation and consumer protection, currency and membership of the European Union.

Market Risks

- The Trust currently invests primarily in equities and fixed income securities and its principal risks are therefore market related and include counterparty and market risk (currency, interest rate and other price risk). An explanation of these risks is included in note 23 on pages 100 to 110.
- Over The Counter (OTC) 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 and asset management firms are exposed is operational risk, as a consequence of operating in a complex financial environment.
- Key operational risks include the availability and reliability of our core systems, reliance on third party suppliers to deliver against service levels, processing failures, IT security issues and operational errors e.g. dealing errors, administration breaches, loss of key personnel and failure to manage and deliver change initiatives.

Conduct Risks

- The profile of conduct risk is ever increasing including the continued strengthening and evolution of the regulatory framework.
- Key aspects of conduct risks include the appropriateness of products and services, marketing campaigns and financial promotions, product design and development, complaint resolution and corporate culture.

Legal, Regulatory and Disclosure Risks

- The Financial Services sector continues to experience significant regulatory change at national and international level.
- The FSA split into the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) in 2013. The key risk is the ability to respond to the volume and scale of mandatory regulation, including AIFMD, EMIR, CRD IV and FATCA among others.

Mitigation

- We regularly report and monitor the performance of the Trust and the income derived from investments.
- Compliance with investment risk parameters and policies is also monitored and regularly reported.
- Borrowing levels and facilities require the prior approval of the Board. Debt levels are regularly monitored and reported.
- The Trust's investment strategy has been widely communicated. Meetings are also held with key institutional shareholders.
- We monitor developments around the Scottish Independence debate through participation in industry working groups and by direct interaction with UK and Scottish government representatives. This allows us to identify actions necessary to ensure that all our customers across the UK can have full confidence in the continuity of service and that their investments and savings are protected.

What we did in 2013

- Regular reporting of Trust performance and borrowing levels.
- The Trust operated within risk parameters and policies and within approved borrowing limits.
- We undertook regular meetings with key institutional shareholders and arranged a number of investor forums.
- We set up a Scottish Independence working group to monitor and report on developments to the Board Risk Committee.
- We identified the key areas likely to impact our customers and business as a result of the debate on Scottish Independence and have monitored developments to assess the actions that may be necessary.

Mitigation

- The Asset Allocation Committee meets at least 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 2013

- We continued to develop a comprehensive approach to the monitoring and oversight of Investment Risks and Derivatives. This creates the capability to oversee more complex product offerings in a robust and consistent fashion that aligns to the Group's stated risk appetite.
- We enhanced the visibility of Group-wide counterparty exposures through improved analysis and reporting, allowing for a consolidated position across various exposures.

Mitigation

- We operate an effective risk management framework which seeks to identify and mitigate key risks. Policies have been implemented to manage key person risks and Continuity of Business plans are maintained.
- Our 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.
- Our segregation of duties and oversight of controls mitigate against the risk of conflict of interest and process failures.
- We manage projects rigorously to a defined plan and timescales.
- We review our IT security policies to ensure risks are continually assessed and relevant controls are in place.

What we did in 2013

- The quarterly Risk and Control Self Assessments (RCSA) have been performed to identify the key operational risks facing the business and the controls tested to ensure that mitigation measures are robust.
- Regular Risk Workshops have been held to identify emerging risks and implement appropriate responses.
- We have also enhanced reporting and management information to support decision making at Board and Committee level.
- We have undertaken testing of business resilience regularly incorporating disaster recovery workplace tests and scenario crisis tests to ensure the Group is able to respond to extreme events.
- We reviewed our IT security controls in conjunction with external IT security consultants and enhanced controls to reflect industry developments.

Mitigation

- The Group maintains customer outcome management information which is reviewed at Board and Committee level and included within the board risk appetite measures.
- The customer outcome management information includes an assessment of future business initiatives and risk outlook.
- Training modules have been developed and risk objectives embedded to ensure delivery of appropriate corporate culture behaviours.

What we did in 2013

- In conjunction with the management teams of the subsidiary businesses the Risk team enhanced the approach to monitoring and assessing customer outcome data during the year.
- Our customer outcome data has developed the ability to assess, evolve and enhance the ongoing review of customer outcomes at Board and committee level.

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 2013

- We have taken action to respond to the evolving regulatory framework, including forming working groups for key regulatory change projects.
- During the year, the Group submitted to the regulator an Internal Capital Adequacy Assessment Process (ICAAP), a Recovery and Resolution Plan for Alliance Trust Savings (RRP) and an Individual Liquidity Systems Assessment (ILSA).

Directors

Chair

Karin Forseke
Chair

Appointment to the Board
2012

Committee membership
Nomination (Chair)

Key skills and experience
Financial services sector and regulatory environment

Broad geographic, economic and political knowledge

External appointments
- Non-Executive Director of Wallenius Lines
- Member of the European Council on Foreign Relations (ECFR)

Previous experience
- Non-Executive Director/ Deputy Chair of the Financial Services Authority (FSA)
- Chief Executive Officer of D Carnegie & Co AB
- Chief Operating Officer of London International Financial Futures Exchange, (LIFFE)
- Head of Distribution for Westpac Banking Corporation's Financial Markets Group in London
- Director of Business Development for the OMLX Exchange in London

Non-Executive Directors

John Hylands
Non-Executive Director

Appointment to the Board
2008

Committee membership
Audit (Chair)
Nomination
Risk

Key skills and experience
Financial services and actuarial sectors

External appointments
- Non-Executive Director of the Board of Ecclesiastical Insurance Group
- Chairs the trustees of the Standard Life and BOC pension schemes

Previous experience
- Finance Director at Standard Life
- He has also held various actuarial, finance and management positions within Standard Life

Alastair Kerr
Senior Independent Director

Appointment to the Board
2012

Committee membership
Remuneration (Chair)
Nomination
Risk

Key skills and experience
Retail and consumer experience

External appointments
- Non-Executive Director and Chair of Remuneration Committee of Fuller, Smith and Turner
- Non-Executive Director and Chairman of Remuneration Committee of Havelock Europa
- Non-Executive Director of Whitestuff
- Chairman of Drilton
- Chairman of Arran Aromatics
- Trustee of the Body Shop Foundation
- Public Member of Network Rail

Previous experience
- Managing Director, EMEA, of The Body Shop International
- Managing Director of Kwik-Fit
- Group Chief Executive of Park Group
- Chief Executive of Virgin Retail Europe

Geographical diversity

This chart shows the regions or areas where our directors have worked or had managerial responsibilities

Susan Noble
Non-Executive Director

Appointment to the Board
2012

Committee membership
Risk (Chair)
Audit
Remuneration

Key skills and experience
Asset management and equity investment

External appointments
- Non-Executive Director of British Empire Securities and General Trust
- Member of the National Finance Committee of Mencap

Previous experience
- Head of Global Equities at Goldman Sachs Asset Management
- Senior Portfolio Manager of Fleming Continental European Investment Trust
- European Equities Manager at Robert Fleming Asset Management

Win Robbins
Non-Executive Director

Appointment to the Board
2013

Committee membership
Remuneration
Audit

Key skills and experience
Asset management and fixed income investment

External appointments
- Non-Executive Director of City Merchants High Yield Trust
- Non-Executive member of the Investment Committee of St James's Place Partnership
- Trustee Director and Chair of the Investment Committee of NOW:Pension Trust
- Trustee of the Institute of Cancer Research Pension Scheme

Previous experience
- Head of European Fixed Income at Credit Suisse Asset Management
- Head of Non-US Fixed Income at Citigroup Asset Management
- Head of European Fixed Income at Barclays Global Investors
- Head of Derivative Trading at Smith New Court

Executive Directors

Katherine Garrett-Cox CBE
Chief Executive and Chief Investment Officer

Appointment to the Board
2007

Key skills and experience
Asset management, equity investment and broad financial services

External appointments
- Member of Supervisory Board of Deutsche Bank AG

Previous experience
- Chief Investment Officer and Executive Director at Aviva Investors
- Group Chief Investment Officer and Chief Executive of Aberdeen Asset Management Limited
- Executive Director of Aberdeen Asset Management PLC
- Investment Director at Hill Samuel Asset Management

Alan Trotter
Chief Financial Officer

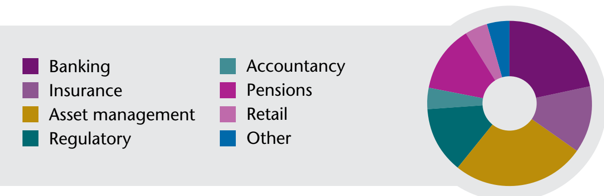
Appointment to the Board
2010

Key skills and experience
Finance and Accounting

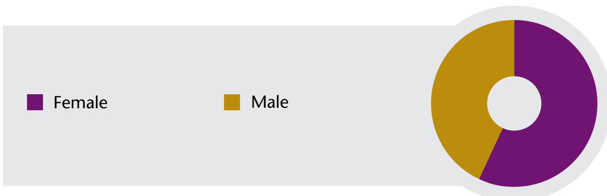
External appointments
- Member of Financial Conduct Authority's Markets Practitioner Panel

Previous experience
- Chartered Accountant with Ernst & Young
- Senior finance roles with Standard Life, Standard Life Bank and Royal Bank of Scotland
- Group Corporate Development Director at Legal and General

Experience diversity
This chart shows the sectors in which our directors have relevant skills and experience



Gender diversity
This chart shows the gender split of our board.



Corporate Governance

In this section of the report we describe the arrangements which are in place to ensure that Alliance Trust adopts high standards of corporate governance across all of its activities and businesses.

Good corporate governance is not about "box-ticking" – it requires every board to consider the processes, controls and limits within which their own company should operate taking account of its own specific characteristics. Boards then need to define and work within a framework which is clear and understandable to everyone involved in the management of the company.

The following pages describe the work of the Board and also of its various committees during 2013, with commentary from the Chair of each committee.

In addition, both the management team and our regulated subsidiaries, Alliance Trust Savings and Alliance Trust Investments operate within parameters set by the Board. This ensures that the Board retains control over key strategic decisions and has control of the risk profile of the business. These are regularly reviewed by the Board to ensure that they remain appropriate, giving the Chief Executive and her management team, who also act as the Boards of the regulated subsidiaries, the freedom to develop the business and respond quickly to emerging opportunities while not exposing shareholders to excessive risk.

At each Board meeting, the Board scrutinises KPI reports covering all aspects of the business, including investment and operational performance and customer outcomes. This enables the Board to satisfy itself that good progress is being made against the agreed business plan and allows it to take early corrective action where required. In addition the Board receives in-depth presentations on a twice yearly basis from the Heads of Equities, Fixed Income and SRI, and also from the Alliance Trust Savings and Alliance Trust Investments management teams. These presentations give the Board the opportunity to provide both support and challenge to management across all areas of the business.

The Non-Executive Directors hold regular private sessions. Some of these are also attended by the Chief Executive.

Board effectiveness

Boards need to regularly review both their own performance and that of their committees and individual directors to ensure that all make an effective contribution. Periodic externally-facilitated evaluations are an essential part of this process and we have used external facilitators on three previous occasions, most recently Independent Audit in 2012. Independent Audit have no other connection with the Company.

This year the Board performance evaluation was facilitated internally, with all directors and members of the Executive Committee completing questionnaires. These covered the key themes of strategy, the governance structure, information and decision-making, the relationship with committees and subsidiaries, board composition and interaction between the Board and management. Responses were then collated and discussed in individual structured interviews led by myself and the Company Secretary which focused on changes we could make for the future based on our experience in 2013.

At the same time the Audit, Nomination, Remuneration and Board Risk Committees each undertook their own, questionnaire-based review. I discussed directors' contribution with each individually, while my own performance evaluation was led by the Senior Independent Director and discussed by my non-executive colleagues. I did not attend that meeting, but the Senior Independent Director provided feedback to me following the meeting.

The conclusion of the evaluation was that the Board was operating effectively and that the current governance framework was satisfactory. In discussion of the report, the Board agreed a number of changes related to the executive succession process and enhancements to the existing KPI reports. The Board also discussed ways in which the Board programme could be adjusted to make best use of directors' time.

Compliance with UK Corporate Governance Code

I am pleased to confirm that we have complied with the UK Corporate Governance Code issued in September 2012 throughout the period covered by this report. We also comply with the principles of the AIC Code of Corporate Governance issued in February 2013.

Karin Forseke Chair

Board Committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Board Risk Committee

The Terms of Reference of each of these Committees have been reviewed and updated in the course of the year. Copies of the Terms of Reference of the Committees can be found on our website www.alliancetrust.co.uk.

Board Risk Committee

The members are shown on pages 40 and 41.

The work of the Committee during the year is explained on page 46 and 49.

Nomination Committee

The members are shown on page 40.

The work of the Committee during the year is explained on page 47.

Audit Committee

The members are shown on pages 40 and 41.

The work of the Committee during the year is explained on pages 48 to 50.

Remuneration Committee

The members are shown on pages 40 and 41.

The work of the Committee during the year is explained in the Directors' Remuneration section of the report on pages 52 to 67.

Management Committees

In addition there are other committees which include Executive Directors and other senior managers.

Asset Allocation

This Committee comprises the Chief Investment Officer, the Head of Global Equities and the Head of Fixed Income. The Chief Financial Officer also attends its meetings.

Executive Committee

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

Risk Management Committee

This Committee comprises the Chief Financial Officer, Chief Investment Officer, Director of Risk and Compliance and the senior managers who oversee and review the control, monitoring and reporting framework and related procedures for risk management. The work of the Committee is covered on pages 36 to 39.

Authorisation Committee

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

Portfolio Oversight Committee

This Committee comprises the Chief Investment Officer, Head of Performance and Risk and other senior managers. It overseas performance and investment risk within the Group.

Investment Operations Committee

This Committee comprises the Director of Investment Operations and other senior managers. It provides oversight of investment operational processes procedures, systems and controls within the Group.

Board

Purpose of 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 a framework of prudent controls is in place to enable risk to be managed effectively. It provides leadership and reviews business performance.

Details of the Board members can be found on pages 40 and 41.

The Board delegates certain decisions to committees comprising Non-Executive Directors, Executive Directors or a combination of these and management as explained in more detail on page 43.

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

- strategy and investment policy
- new subsidiary businesses and joint ventures
- annual budget
- approval of treasury policies, banking counterparties and counterparty exposure limits
- Group borrowing limits and the maximum amounts and nature of new bank borrowing facilities
- major contracts
- asset classes in which any Group company may invest
- derivative instruments which any Group company may use
- material changes to gearing and the percentage mix of asset allocation by class and geography
- major changes in employment and remuneration structures
- political and charitable donations
- any material litigation or civil proceedings

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

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

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

In addition to the reports submitted by the Chief Executive Officer, Chief Financial Officer and Company Secretary other regular reports include Key Performance Indicators and Risk. Other matters considered during the year include risk appetite, banking facilities, Budgets and Business Plans, Directors' and Officers' insurance, changes to Committees and terms of reference.

Key area of focus	Decision taken
Strategy	The Board held a strategy day in September at which it considered a range of options for the future development of the investment trust and the subsidiary businesses and approved the Vision 2020 strategy.
Investment performance	The Board requested regular presentations by its investment managers and the managing directors of Alliance Trust Savings and Alliance Trust Investments. These presentations included not only the reporting of performance but areas of strategic importance which are reserved to the Board of the PLC for decision. These presentations allowed the Directors to be fully engaged with the management team responsible for delivery of the strategy.
Business plans	The Board approved the business plans of the Company and also of the subsidiary companies, challenging the submissions made by management and requiring certain revisions to be made. In the course of the year decisions were taken to close two funds which were not core to Alliance Trust Investments' future strategy.
Dividend policy	We reported in our last Report and Accounts that the Board had approved an amended policy to maintain a steadily rising dividend and, under normal circumstances, to pay out all our current year's earnings either as ordinary or special dividends. We also agreed that unless there were exceptional circumstances we would not pay dividends out of our capital reserves.
Regulatory matters	The Board agreed to apply to become registered as an Alternative Investment Fund Manager. This was as a result of a European Directive requiring certain investment firms to adopt specific operating requirements. Although Alliance Trust already had the basic framework in place, this has meant considerable work and contributed to an increased cost of compliance. The Board also approved the Internal Capital Adequacy Assessment Process and Alliance Trust Savings' Recovery and Resolution Plan and Individual Liquidity Systems Assessment.
Scottish independence	The Board considered on a number of occasions the implications of the referendum on Scottish Independence and set up a working group to monitor and report on developments. The Board identified the key areas which will impact our customers and business and the actions that may be necessary.
Outsourcing	The Board decided to outsource certain of its middle and back office investment activities for both Alliance Trust PLC and Alliance Trust Investments to BNY Mellon. A decision was also made to appoint a depositary as a custodian of the assets of the company as part of the preparations for the implementation of AIFMD.
Gearing	The Board approved investigations into alternative long-term options for funding of investment activities in addition to the existing banking facilities.
Executive succession	The Board decided that Executive succession should be considered by the full Board rather than by the Nomination Committee. During the year they reviewed the current succession planning arrangements and considered them to be appropriate.
Price change	The Board considered a proposal from Alliance Trust Savings to carry out a major review of its pricing structure in preparation for the changes to the market from the Retail Distribution Review. The Board agreed to endorse the changes having satisfied itself that they were fair and would represent a clear and transparent charging structure for a number of years.

Board Risk Committee

We set out on pages 36 to 39 how the business manages the key risks that impact on the Company. In this section we provide information on the main areas of focus of the Committee over the year. The Committee plays a significant role in monitoring how effective management is in managing risk in the business and provides a layer of challenge above that provided by the senior managers who are members of the Risk Management Committee. One of the main purposes of the Committee is to support initiatives intended to embed the Company risk culture within the group. The Committee reviews and challenges the appropriateness of the Group Risk Appetite scorecards and management's assessment of the future Risk Outlook impacting the Company. The table below summarises how the Committee has tackled this in the year highlighting both the key areas of focus and the decisions taken.

Susan Noble Chair, Board Risk Committee

Key area of focus	Decision taken
Risk appetite	New measures were recommended to the Board by the Committee and a Group Risk Appetite Scorecard, which now forms part of the regular reporting across the business to complement existing business unit scorecards, was approved.
Risk monitoring	The Committee supported the development and refinement of risk reporting and the introduction of more concise management information including clearer reporting on conduct and customer treatment measures. Improved tracking of movements in risk categories that allows enhanced trend analysis to take place has also been introduced.
Risk reporting	The Committee has overseen significant improvements to the structure and content of the risk registers used by the business including the removal of duplication, improved definitions and evaluation of risks. Scores attributed to identified risks have been challenged by the Committee and management have been challenged on the quality of their controls and mitigants.
Investment risk	The Committee recognised that how the investment managers operate their portfolio is a key risk and accordingly devoted a full meeting to consideration and approval of the investment risk management process. This included a review of the controls that are in place for the use of derivative instruments within the business.
Regulatory compliance	The Committee considered and recommended to the Board a number of submissions that were provided to the regulators. These include an Internal Capital Adequacy Assessment Process (which involves analysing the risks to the business and the level of capital required to reflect those risks), Recovery and Resolution Plan (which involves approving a plan to be used should Alliance Trust Savings not be able to meet its obligations to its customers) and an Individual Liquidity Systems Assessment (which involves approving the means by which Alliance Trust Savings maintains adequate levels of liquidity).
Business continuity	The Committee requires an annual report on the effectiveness of the arrangements that are in place to ensure that the business can continue to operate when faced with a number of challenging business issues. In the course of the year call cascades, an onsite recovery test and a crisis scenario exercise have been held all of which, while identifying improvements that could be made, demonstrated that there were effective processes and procedures in place to minimise the risk of business interruption.

Nomination Committee

We set out in this section the main areas of focus of the Committee over the year. The Committee's role is to assess the skills and experience of individual directors against the skillset required to ensure that the Board can provide effective direction and oversight of the Company's strategy and operations. The Committee maintains a succession plan for future planned retirements and leads the search for replacements as and when necessary. In the table below we summarise how the Committee has tackled its role in the year highlighting both the key areas of focus and the decisions taken.

Karin Forseke Chair, Nomination Committee

Key area of focus	Decision taken
Non-Executive Director appointment	The Committee considered a number of candidates for the role of a Non-Executive Director against agreed criteria and approved the appointment of Win Robbins. The Zygos Partnership, a firm specialising in board-level appointments, was used to conduct a search for this appointment. The Zygos Partnership has no other connection with the Company.
Non-Executive retirement policy	The Committee considered and approved a change to the existing policy on the 'normal' period of office of the Company's Non-Executive Directors and, recognising that a number of Directors had recently been appointed over a short period of time, agreed that a more flexible policy was required. They Committee therefore adopted a new policy aimed at ensuring that the Board would be regularly refreshed but without a large number of changes of Board members over a short period of time.
Policy on Board diversity	The Committee acknowledged that it is responsible for ensuring that there is planned succession, so far as possible, at Board level and for ensuring that the proper composition of the Board in terms of skills, knowledge, experience and diversity is maintained. Taking that responsibility into account the Committee considered and reaffirmed the existing policy that the Board should not adopt a target for gender diversity but will continue, as it has in the past, to appoint the best qualified person for the job regardless of their gender.
Re-election of Directors	The Board decided in 2011 that each Director should stand for re-election each year. The Committee considered whether to recommend to the Annual General Meeting each of the Directors for election or re-election and concluded that, taking into account the contribution and commitment of each individual, they all be recommended to the shareholders. In the case of John Hylands, who has been a Director for six years, the recommendation for re-election was made after rigorous review under the Board's amended policy on Non-Executive Directors' retirement.
Committee composition	Following the decision to form the Risk Committee it was agreed that Susan Noble should be appointed as Chair and John Hylands and Alastair Kerr as members of the Board Risk Committee.
Non-Executive succession	The Committee considered the skillsets of the current members of the Board and their current tenure as Non-Executive Directors and what action was required to ensure that the Board continued to have the appropriate mix of experience before agreeing a succession plan for the period to 2016.

Audit Committee

In this section we provide information on the main areas of focus of the Audit Committee over the year. The Committee plays a significant role in ensuring that the Company's financial statements and those of other companies in the Group are properly prepared and that the systems of controls that are in place are effective and appropriate. We provide more detail on these matters on the next pages but the key areas of focus and the decisions taken are summarised in the table below.

This year, following changes to the UK Corporate Governance Code, we were required specifically to consider whether our Company accounts were, taken as a whole, fair, balanced and understandable. We also had to address whether they provide the information that a shareholder needs to assess the Company's performance, business model and strategy. After consideration, the Audit Committee agreed that they did and recommended their approval to the Board.

John Hylands Chair, Audit Committee

Key area of focus	Decision taken
Review of Annual and Interim Accounts	The Committee considered the content of the Report and Accounts of the Company, the Reports and Accounts of Alliance Trust Savings and Alliance Trust Investments and recommended their approval to the respective company boards.
Internal Audit, External Audit and Compliance Plans	The Committee considered and approved the planned activities of the Internal Audit and Compliance functions along with the scope of the External Audit for the year.
Use of co-sourced partner for Compliance and Internal Audit	The Committee approved the appointment, after a tender exercise, of an external firm (PricewaterhouseCoopers) to provide additional specialist resource to supplement the Internal Audit and Compliance Teams. The external resource focuses on areas of the business where benefit can be obtained from using individuals with extensive experience across the industry. In making the appointment the Committee approved additional controls to avoid any conflict of interest arising.
Use of derivatives	Following a management request to extend the use of derivative instruments the Committee undertook a review of the existing investment risk management process to satisfy itself that operational processes and controls were in place for the enhanced use of derivatives.
Effectiveness of Risk Management and Internal Control Systems	The Committee considered reports produced over the year and at the year end before arriving at the conclusions provided on page 49.
Significant accounting matters	The Committee considered the basis of valuing its subsidiary businesses and other unlisted investments and approved the methodology which is described in more detail on pages 107 to 110. The Committee also approved the accounting treatment for the acquisition of the SRI funds from Aviva which is disclosed in note 2 on page 82.
External Auditor	The Committee considered the independence and performance of the External Auditor before arriving at the conclusions provided on page 50.

Internal controls

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

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for the Group's risk management and internal control systems. The Audit and the Board Risk Committees assist the Board in fulfilling this responsibility.

The Group's system of internal control is designed to facilitate effective and efficient operations and to ensure the assets of the Group are safeguarded, proper accounting records are maintained, and the financial information used within the business and for reporting to stakeholders is reliable.

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

The Board is ultimately responsible for the Group's risk management and internal control systems but relies on both the Audit Committee and the Board Risk Committee to regularly review their effectiveness, including all material financial, operational and compliance controls. The Audit Committee has also performed an assessment for the purpose of this annual report, which considered all significant aspects of risk management and internal control arising during the period of the report, including the work of the Risk, Compliance and Internal Audit functions. The Audit Committee then reported its findings to the Board.

The Board has established an ongoing process for the identification, evaluation and management of the significant risks faced by the Group. The Board Risk Committee regularly reviews this process, which is in accordance with the "Internal Control - Revised Guidance for Directors on the Combined Code" published in October 2005.

The Board Risk Committee also reviews the effectiveness of the Group's Risk Management Framework and reviews and challenges the results of the Group's Risk and Control Self Assessment process which considers the effectiveness of internal control in managing the significant risks to which the Group is exposed.

The Audit Committee regularly receives reports from the Group's Compliance and Internal Audit functions and from the External Auditor which include details of all significant internal control issues that have been identified. The Audit Committee provides independent oversight of Internal Audit and Compliance to ensure that they are providing the level of scrutiny expected by the Audit Committee and the Board. In arriving at their conclusions, and to allow reports to be made to them without management presence, the Audit Committee have private sessions with each of the Head of Internal Audit, Director of Compliance and the External Auditor during the year. As a result of the annual review and the ongoing processes for review, monitoring and reporting of internal control, the Board did not identify any significant weaknesses or failings and remains satisfied with the effectiveness of the Group's risk management and internal control systems.

Internal controls over financial reporting

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

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

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

This year the Audit Committee also took account of the requirement that the Annual Report should, taken as a whole, be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In arriving at their conclusion that the Annual Report satisfied the requirement the Committee took into account the process adopted in the preparation of the document which included:

- The involvement of Executive Committee members, the Company Secretary, the Head of Performance and Risk and the Head of Investor Relations in regular drafting meetings;
- All Executive Committee members provide sign-off on the draft issued to the Board for approval;
- Verification of all factual statements contained within the narrative section of the Annual Report, with evidence required from the author;

- Statements which cannot be verified – typically opinions or forward-looking statements – specifically brought to the Audit Committee's attention.

The Audit Committee considered the steps outlined above and the content of the document. After review the Committee were satisfied, taking care to ensure that the narrative parts of the Annual Report were consistent with the numerical disclosures in the audited accounts, that the Annual Report satisfied the test and recommended approval to the Board.

Significant accounting matters

During the year the Audit Committee considered a number of significant accounting matters including:

- The valuation and ownership of listed investments;
- The basis of calculating the fair value of our subsidiary businesses (this is explained in more detail on page 109);
- The valuation of other unlisted investments;
- The allocation of costs incurred within the Group between the Trust and the subsidiary businesses;
- The accounting treatment for the former Aviva SRI assets.

Independence of Auditor

The Committee's policy is to allow the audit firm to be instructed to undertake non-audit work only where there is no threat to independence. Any assignment must be approved on behalf of the Committee by its Chair. Such assignments are normally put out to tender. Last year £32,000 was paid to the Auditor in respect of work on regulatory services (in relation to FATCA) and the audit of termination accounts for a number of Alliance Trust Investment funds. Each year the Committee considers the independence of the Auditor. It has done so this year and confirms the Auditor's independence.

Effectiveness of Auditor

During the course of the year the audit engagement partner and other members of the engagement team met on several occasions with the Audit Committee Chair and the Chief Financial Officer, both together and separately. These meetings provide an opportunity for matters relating to the conduct of the audit, including the performance of the External Auditor, to be raised and addressed at the time.

Following completion of the external audit of the financial statements for the period ended 31 December 2012 a formal evaluation of the External Auditor's effectiveness was undertaken. The evaluation was facilitated by the Head of Internal Audit and was conducted by way of a survey, completed by Audit Committee members and members of management within the businesses and the control functions. The survey assessed the External Auditor's performance against the following criteria: independence and objectivity, audit strategy, communication with management, and how the audit was finalised.

The Audit Committee considered the results of the evaluation at its July meeting and concluded that it was satisfied both with the performance and with the independence of the External Auditor. No material issues were identified.

Tender of Auditor

During 2010 the Board carried out a tender exercise for the role of Auditor. This involved a rigorous selection process during which the Audit Committee considered submissions made and received presentations from the short-listed firms. The Committee decided that it would be appropriate to change Auditor and recommended the appointment of Deloitte LLP to the Board who in turn recommended their appointment to the members at the 2011 AGM. Deloitte LLP were subsequently reappointed at the 2012 and 2013 AGMs and are proposed for reappointment in 2014. Deloitte LLP will normally change the audit partner after they have been appointed for five years and the current partner, Calum Thomson, has been in the role for three years. The recommendation to reappoint Deloitte LLP is not automatic. In the course of the year the Chair of the Committee has met with the Auditor on a number occasions outwith the formal structure of Committee meetings. The Committee has considered the performance of the Auditor and is satisfied with the rigour that they apply to the audit process and have recommended the reappointment of Deloitte LLP for a further year.

The Committee has decided that it will put the role of Auditor out to tender at least every 10 years.

Disclosure of information to Auditor

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

Directors' responsibilities statement

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

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

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

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

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

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

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

Going concern

The Group's business activities are set out on pages 3 to 7 with the principal risks which could impact on performance set out on pages 38 and 39. The Group's financial position and cash flows are set out on pages 74 to 78 along with an analysis of its borrowings in Note 15 on page 95. As regards going concern the Directors have considered both liquidity and solvency risks.

Liquidity is concerned with our ability to liquidate assets or access new sources of short-term funds in the time needed to meet our liabilities as they fall due. The majority of the Group's assets are in listed securities on recognised stock exchanges which are readily realisable even in volatile markets. At 31 December 2013 we also had £70m of unused committed funding lines.

Solvency is concerned with our ability to meet our liabilities in full. This involves managing our capital by maintaining a business model which is capable of delivering over time a continuing economic return to our shareholders whilst absorbing the impact of any risks which crystallise. As at 31 December 2013 the Group's total net assets were £2.9bn. Our investment policy restricts gearing to 30% of net assets at any given time (11.6% at 31 December 2013).

Sensitivities to market, credit, liquidity and gearing risk are set out in Note 23 on pages 100 to 110. The Directors, who have reviewed the budgets, forecasts and sensitivities for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements.

Remuneration report

Statement

We present the Remuneration Report for the year ended 31 December 2013 which reflects the new regulations governing directors' remuneration.

The report is divided into two parts:

- A Policy Report which sets out clearly how reward supports our business strategy;
- An Implementation Report, which explains in detail how we have applied the policy in 2013.

The key drivers underpinning our reward strategy are:

- Payment for performance against specific measurable targets
- 50% deferral of annual bonus for 3 years
- Alignment of interests with the shareholder through the long-term incentive plan

You will see that there have been no significant changes to our approach to Executive pay and this year's report continues our previous pattern of open and transparent reporting on pay.

Throughout the year, we have regularly engaged with our shareholders over Executive pay and participated actively in industry groups and with regulators to ensure that we deliver a clear and comprehensive report to our shareholders.

I hope you are able to support the resolutions on remuneration submitted for approval at the Annual General Meeting.

Alastair Kerr
Chair, Remuneration Committee

"Rewards for Executives need to be aligned to creation of shareholder value."

Key area of focus	Decision taken
Executive Directors' remuneration	The Committee considered the awards to be made to the Chief Executive and Chief Financial Officer based on their performance against their agreed objectives and agreed the awards made as explained in more detail on pages 63 to 67. The Committee also considered the salary and other benefits which the Executive Directors receive and decisions were taken having received advice on the levels of pay for peer comparators from the Committee's external remuneration advisers. The basic salary of the Chief Executive Officer will increase by 2.3% and an increase of 2.2% for the Chief Financial Officer base salary will be effective from 1st April 2014. This is the first increase in three years and can be compared with an average 3% increase applied elsewhere in the Company.
Other Executive remuneration	The Committee considered recommendations made for the Remuneration Code staff and other senior managers and, after debate and changes, approved awards to those individuals. The Committee also considered and approved the performance conditions attaching to the LTIP arrangement and the individuals who would be granted awards under that arrangement.
AESOP award	The Committee considered the proposed award and approved the rationale adopted for the award.
Long-Term Incentive arrangements	The Committee considered the level of vesting to be applied under the rules of the LTIP and agreed the award. During the year we reviewed the structure of the current LTIP in light of recent regulatory changes. We are not proposing any changes in 2014 but will continue to keep the plan under review as regulation and best practice develops.
Objectives	The Committee discussed and agreed objectives for the Chief Executive and Chief Financial Officer for the year.
Remuneration disclosures	The Committee considered the disclosures that are required to be made under the FCA's Remuneration Code and the list of the individuals that might fall to be included under that requirement and also under the future AIFMD disclosure requirements. After amendment by the Committee, a revised list was used to complete the required disclosures.

Directors' Remuneration Policy Report

In this section, we explain:

- our remuneration policy and how this policy supports our business strategy
- the performance conditions set within our short and long-term incentive arrangements

Our remuneration policy is unchanged from previous years and it will take effect from the 2014 AGM. It is anticipated that this will be in force for three years, although we will closely monitor regulatory changes and market trends and we may seek shareholder approval for a revised policy within this period.

Commitments made which were consistent with the approved remuneration policy in force before the passing of any new Remuneration Policy may be honoured notwithstanding that they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.

The Committee reserves the right to make an 'emergency' payment outside this policy in exceptional and unforeseen circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company, and when it would be disproportionate to seek specific approval from a general meeting. Any such payments will be fully disclosed on a timely basis.

We may continue to honour commitments made to Directors either before the date of approval of this policy or, in the future, commitments made to employees before their appointment to the Board.

Remuneration strategy

Our aim is to achieve returns for our shareholders that, over the long term, are higher than those available from our peer group. The key to achieving this is our people.

Our remuneration strategy is designed to help us recruit the best talent and retain and motivate them to deliver our long-term business strategy. The driving principle behind our reward strategy is to link the delivery of strong performance closely to pay outcomes, thereby aligning the interests of directors and employees with those of shareholders and clients. 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.

Executive Directors

	Purpose	Operation	Change in year
Base Salary	To help recruit, retain and motivate high performing employees. Reflects individual experience, role and importance of the individual to the business as a whole.	Reviewed annually with levels set to reflect individual responsibilities, level of experience and performance outturns. A market benchmarking exercise will be undertaken each year to ensure that salaries remain around the median of the market level, for roles of similar size and complexity.	We changed the annual review date from 1 January to 1 April in 2013. Salary increases were not back-dated.
Benefits	To help recruit and retain employees. To provide market competitive benefits which add a level of protection and preventative care for our people.	Benefits currently received by directors include: • Paid holidays • Life insurance • Travel insurance • Private health insurance • Permanent health insurance • Subsistence allowance • Car allowance • Subscriptions to professional bodies or other relevant organisations	Car allowances will be discontinued in 2014 and incorporated into basic salary. This decision was taken in order to simplify the benefit package.
Short term Incentives	To encourage and reward delivery of the company's strategic goals and to align the interests of directors closely with interests of shareholders and clients. Variable compensation constitutes a significant proportion of the total compensation award to ensure the company remains able to flex its cost base and react to market circumstances.	For Executive Directors, individual awards are currently assessed at least 50% against Corporate KPIs and no more than 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. Executive Directors are required to defer at least 50% of any cash bonus into the LTIP.	No change

Opportunity	Performance measures and reasons for selection
Salaries are reviewed annually and increases are effective from 1 April. It is our intention to target salaries around the market median of similar sized businesses. Any increases will consider UK Retail Prices Index and market conditions and will typically be in line with increases offered to our wider population of employees. Any increases will be based upon performance in role and level of responsibilities and experience of the individual concerned. Year on year increases are unlikely to be more than twice the rate of increase in the RPI.	Not applicable
The Company provides a range of market benchmarked benefits. The costs of these benefits may change year on year due to external insurance costs. Should we recruit a Director from overseas, flexibility will be retained to provide benefits which would typically have been provided in their country of origin. These may include school fees, and relocation costs.	Not applicable
For the financial year 2014 the annual bonus is capped at 150% but the Committee have discretion to increase the maximum to 200% in future years.	In 2014 the performance measures are: 50% of Annual Bonus based on • NAV Total Return (% change in NAV against a peer group over one year) • Total Shareholder Return (% change in TSR against a peer group over one year) • Delivery of progressive dividend growth • Prudent management of Company costs These targets have been selected as they are the key financial metrics which determine value creation for our shareholders. 50% of Annual Bonus based on individual business targets set for each Director. The Committee has chosen to direct the performance of Executive Directors through key strategic and leadership targets which they believe will drive the success of the company strategy over the long term. These business and strategic objectives will change year on year. The Committee can set different performance measures and/or targets provided that, in the opinion of the Committee, the proposed changes are not significant. If changes are contemplated, the Committee will consider whether it is appropriate to consult with the Company's main shareholders.

Executive Directors

	Purpose	Operation	Change in year
Long-term Incentives	To drive the execution of our long-term strategy through close alignment of performance criteria. Incentivises long-term value creation. Aligns the interests of the Executive Directors with those of the shareholders. Promotes long-term investment by Directors and creates a higher level of retention as a result.	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 deferred. Deferred bonuses held in company stock attract dividend payments, if payable. Performance Awards: these are based on a multiple of salary, and subject to the same long-term performance measure as the matching awards.	No change
Malus and Clawback Policy	To ensure that reward structures do not encourage excessive risk taking.	This enables the Committee to recover awards in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual.	The Committee will introduce a clawback mechanism in 2014, which will enable previously vested awards to be recovered where deemed necessary.
AESOP	To align interest of all employees to the success of the business. To encourage all employees to build long term savings in a tax efficient way.	HMRC approved All Employee Share Ownership Plan. All employees can receive shares dependent upon the performance of the business in each year and can elect to purchase up to the HMRC limit of partnership shares from pre-tax income each tax year.	From May 2013 the Company has matched the purchase of shares up to £20 per month to encourage greater employee share ownership.
Pension	To offer market competitive pension benefits and retain key employees over the long term.	Directors receive a cash payment instead of a pension contribution.	No change

Opportunity	Performance measures and reasons for selection

The maximum that can be received in a matching award 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 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.

This 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 investment trusts.

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

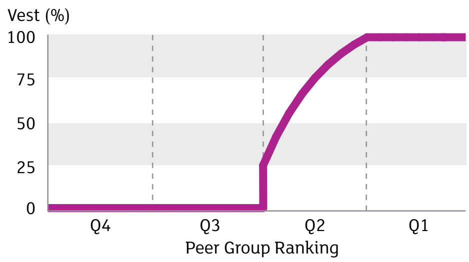
These targets have been selected as they are the key financial metrics which determine value creation for our shareholders.

The Committee can make minor changes to the performance condition. Any significant change will require shareholder approval.

The LTIP is measured on a smoothed basis i.e. using a rolling 30 day average at the start and end of the performance period. This reduces the impact of short term volatility.

Vesting between median and upper quartile is based on a vesting curve. We have chosen a vesting curve to align the interests of LTIP participants to Alliance Trust's traditional low risk investment philosophy and to reflect our belief that performance which consistently falls between median and upper quartile will, over time, translate into long-term upper quartile performance.

LTIP awards (from 2011 onwards)



A clawback principle applies to short and long-term incentives and applies to both unvested awards and awards which have vested within the past 3 years.

The malus and clawback policy can be applied:

If it is discovered that:

- the Company materially misstated its results for the last whole financial year comprised in the applicable performance period; or
- a material error was made in assessing the relevant performance conditions,

and, in either case, the Committee considers that this resulted in a higher number of shares vesting than would otherwise have been the case.

If it is discovered that, prior to the vesting date of the award, the participant committed an act which was unknown to the Committee on that date but which, if it had been known, could have resulted in dismissal for gross misconduct.

Based on the HMRC limits. Maximum value of free shares that can be awarded: currently £3,000, from 6 April 2014 £3,600.

Our employees can purchase partnership shares up to a maximum of currently £1,500, from 6 April 2014 £1,800 and the Company currently matches up to £20 per month but could increase matching up to HMRC limits in future.

The award is determined by the Committee based on overall corporate performance.

This measure has been selected as the most appropriate having regard to the application of this award to all employees within the group.

The Committee can set different performance measures and/or targets provided that, in the opinion of the Committee, the proposed changes are not significant.

A maximum of 25% of salary can be awarded in lieu of pension contribution.

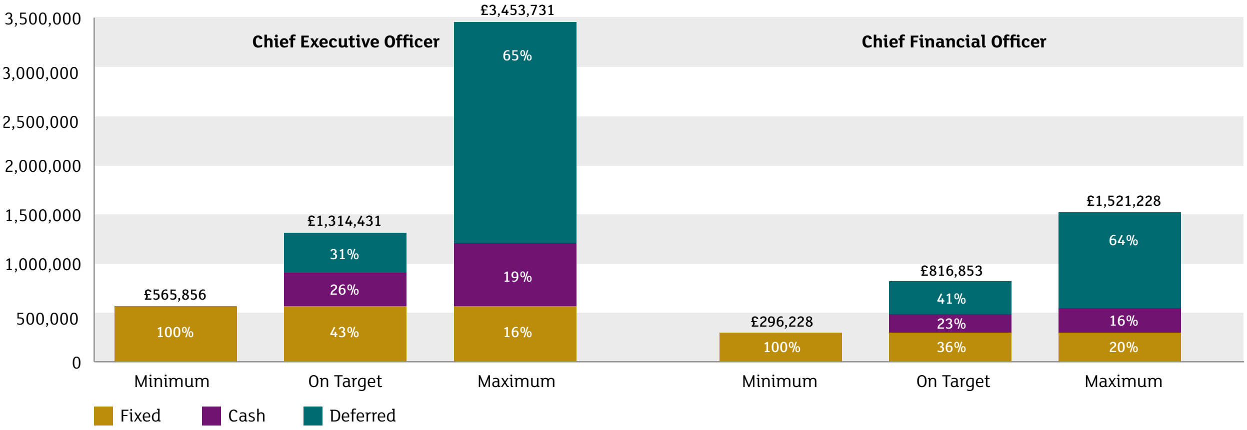
Not Applicable

Executive Directors

	Purpose	Operation	Opportunity
Recruitment and promotion	To secure the highest performing talent from the industry and/or from internal succession plans. This policy would also cover situations whereby the Chair or another Non-Executive Director steps into an Executive role on a temporary basis.	We would not expect any new director to receive a salary, car allowance, pension allowance or holiday entitlement more than 50% higher than the current maximum payments which could be received by the previous role holder.	Variable Pay: New directors will participate in short-term and long-term incentive plans with the same maximum opportunities as existing directors. For internal promotions, the Committee reserves the right to satisfy pre-existing executive incentive awards and other obligations which may be in place at the time of appointment. Benefits: We would not normally expect to provide any benefits at any different level of provision than those set out in the policy table currently received by the Directors. Should it be appropriate to recruit a director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence or to provide additional benefits such as a relocation allowance or tax equalisation. Remuneration for new appointments will be set in accordance with the policy table. Where appropriate,the Remuneration Committee may offer additional remuneration, such as shares or cash-based awards, to replace remuneration the individual has given up in order to be able to join the Company. The Committee will endeavour to offer such payments in the form of long-term incentives to ensure alignment with shareholders and retention of key employees.
Share ownership	To align the interests of Executive Directors with shareholders.	Executive Directors are required to build up the equivalent of 150% of salary in Alliance Trust PLC shares and it is expected that this would be reached within five years. Only shares without performance conditions are included. Executive Directors are required to retain half of post tax shares vesting under the LTIP until the guideline is met.	The Committee has increased the share ownership guideline from 100% to 150% in 2014.

Illustration of the application of the Remuneration Policy

The charts below illustrates the remuneration opportunity provided to each Executive Director at different levels of performance for the coming year.



In developing the above scenarios, the following assumptions have been made:

Minimum	On-target	Maximum
Includes only payments to which the Director is contractually entitled including salary, allowances and benefits.	This is based on what a Director could receive if performance was in line with targets: • Annual bonuses pay out at 50% of the maximum for on-target performance. • Long-term incentive plan performance at target would see approximately 33% of the award vesting.	100% of the Annual bonus. 100% vesting of Long-Term Incentive Awards assuming maximum matching awards.

Payments on loss of office

Executive Directors' Service Contracts

	Date of contract	Notice from the Company	Notice to the Company	Provision of compensation
Katherine Garrett-Cox	20/04/07	Twelve months	Six months	Loss of office up to one year's salary, pension allowance and benefits
Alan Trotter	01/02/10	Twelve months	Six months	Loss of office up to one year's salary, pension allowance and benefits

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 specific 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 payment would be based on current salary, pension allowance and benefits. Service contracts do not contain a default normal retirement age. A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Any share-based entitlements granted to an Executive Director under the Group's share plans will be determined based on the relevant plan rules. The default position is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury or disability, redundancy, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied but individuals will wait until normal date of vesting and awards will normally be pro-rated for length of service.

The rules of the Company's Long-Term Incentive Plan contain a change of control clause, which crystallises the share awards, subject to pro-rating of awards within the three year cycle based on days worked and to the participant giving up their entitlement for replacement shares in any new company.

External directorships

The Company has a policy of permitting its Executive Directors to hold one paid 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 2013 she received fees of €66,000 in respect of the previous year.

Non-Executive Directors

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 annual re-election at the Company's AGM and their appointment may be terminated at any time by notice given by three quarters of the other Directors.

Fees payable to Non-Executive Directors are set out in the table opposite.

Consideration of shareholder views

We maintain a regular dialogue with our shareholders on all aspects of performance and governance, including remuneration issues.

Consultation with our employees

The Company regularly seeks the views of its employees and specifically targets feedback on reward structures and whether pay outcomes are fair and reasonable given the level of responsibilities and contributions made throughout the year. Feedback from our people is an important measure of success in our reward strategy.

Our people are also shareholders in our business, as we activily encourage share ownership, through our AESOP scheme and partnership shares, which are matched in part by the Company. We fundamentally believe that encouraging share ownership not only gives our people a voice, as shareholders of the business, but it aligns the interests of our people with our external shareholders.

External advisers

The Remuneration Committee receives independent advice from Towers Watson and New Bridge Street consultants. Towers Watson and New Bridge Street abide by the Remuneration Consultants' Code of Conduct, which requires them to provide objective and impartial advice. Towers Watson and New Bridge Street were appointed by the Committee and they do not provide other services to the Group. Total fees charged by Towers Watson for the year were £84,000 and New Bridge Street £62,000.

Non-Executive Directors

	Purpose	Operation	Opportunity
Directors' fees	Help recruit and retain Non-Executive Directors.	Reviewed periodically with levels set with regard to responsibilities and market movement. The Company takes 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 The Board (excluding the Non-Executive Directors who take no part in the process) determines the Non-Executive Directors' fees.	The current basic Non-Executive Director's fee is £35,000. The Articles of Association set a maximum of £224,000 on fees payable to directors. Note this does not include salary payments to Executive Directors, the Chair's fee or fees paid for serving on or chairing Committees, or for other additional responsibilities.
Additional fees	Reflects individual experience and role.	Reviewed annually with levels set with regard to responsibilities and market movement. The Company takes 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. The Board (excluding the Non-Executive Directors who take no part in the process) determines the Non-Executive Directors' fees.	In 2014 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 • Chair of Audit Committee £11,000 • Senior Independent Director £5,000 • Chair of Board Risk Committee £7,500 • Chair £120,000 (no other fees are payable to the Chair)
Secretarial support to the Chair	To support the Chair in the execution of her duties.	Secretarial assistance is provided in relation to activities related to the Alliance Trust Group.	

Implementation Report

Our approach to Reward

The Remuneration Committee adopts an approach which has a strong emphasis on variable pay. Our approach has been to manage fixed costs tightly and encourage use of deferrals which are then linked closely to performance related measures and thus aligning long-term goals with interests of shareholders. Total remuneration will comprise basic salary, pension provision, annual bonus and any awards under the long-term incentive schemes.

Single total figure of remuneration

£000	Salary/Fees		Taxable benefits*		Annual bonus#		Long-term awards		Pension		Total	
Executive Director	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Katherine Garrett-Cox	425	425	43	43	369	523	436	703	106	106	1,378	1,800
Alan Trotter	225	225	16	73	122	188	229	388	45	45	637	919
Non-Executive Director												
Karin Forseke	120	100**	-	-	-	-	-	-	-	-	120	100
John Hylands	49	46	-	-	-	-	-	-	-	-	49	46
Alastair Kerr	50	11**	-	-	-	-	-	-	-	-	50	11
Susan Noble	47	19**	-	-	-	-	-	-	-	-	47	19
Win Robbins	36**	-	-	-	-	-	-	-	-	-	36	-

* Taxable benefits include the value of accommodation allowance, car allowance, medical and life insurance.
** Pro-rated for period served.
# Annual Bonus includes the AESOP Award.

Percentage change in remuneration of Chief Executive Officer

The table below sets out the percentage change in the remuneration of the Chief Executive Officer compared to that of the average of all of the Group's employees taken as a whole between the financial years ended 31 December 2012 and 31 December 2013

	Change in annual salary	Change in taxable benefits	Change in annual bonus
Chief Executive Officer	0%	-1.2%	-29.5%
All employees	2.8%	-18.8%†	-19.5%

† The change related to the reduction in the cost of insured benefits. There was no change to the actual benefits provided.

Annual bonus for 2013 performance

The annual bonus comprises two equal components: 50% against Corporate KPIs 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 period ending 31 December 2013 were awarded and were payable after the period end:

	Maximum as a % of Salary	Bonus	% of max
Katherine Garrett-Cox	150%	£366,672	57.5%
Alan Trotter	100%	£120,375	53.5%

In determining bonus awards in respect of 2013 the Committee considered achievement against Corporate KPI's and against business targets linked to Company's strategic goals. The corporate KPI's detailed below were met in part and the Committee agreed an award of 12.5% from a maximum of 50% for both Executive Directors.

The Committee also considered performance against business targets, which represent 50% of the overall award. The business targets set for the Chief Executive Officer include the combined role as Chief Investment Officer and included financial performance of the Group strategic direction and leadership development.

The Committee acknowledged a strong performance in the financial results and commended the Chief Executive Officer for implementing a new 2020 vision strategy for the Group. Strong results were also noted in succession and development across the Group. The Committee awarded 45% from a maximum of 50% in respect of business targets.

The business targets set for the Chief Financial Officer (CFO) included contribution to strategic direction and leading commercial business processes. The Committee commended the CFO on delivering good financial results in 2013 and acknowledged the contribution made by the CFO to the development of the subsidiary businesses. The Committee awarded the CFO 41% from a maximum of 50% in respect of business targets.

Chief Executive Officer 50% business targets	**Achievement in 2013**
Business Strategy Returning ATS to profit Investment Performance	17% from 20% max
Risk and Governance Risk appetite/framework & culture Embed investment risk process	9% from 10% max
Leadership & People Create a shared vision Champion leadership development	19% from 20% max
	45% of max 50%

Chief Financial Officer 50% business targets	**Achievement in 2013**
Business Strategy Commercial financial leadership driving business plan	17% from 20% max
Risk and Governance Risk and Governance Risk appetite/framework & culture	13% from 15% max
Leadership & People Lead and develop teams Contribution to strategic delivery	11% from 15% max
	41% of max 50%

Chief Executive Officer 50% corporate targets	**Achievement in 2013**
NAV Total Return (% change in NAV against a peer group – 1 year)*	Below target
Total Shareholder Return (% change in TSR against a peer group – 1 year)*	Below target
Dividend growth Progressive dividend growth	Achieved
Company costs Agreed by PLC Board and built into budgets	Achieved
	12.5% of max 50%
Total	**57.5% of max 100%**

Chief Financial Officer 50% corporate targets	**Achievement in 2013**
NAV Total Return (% change in NAV against a peer group – 1 year)*	Below target
Total Shareholder Return (% change in TSR against a peer group – 1 year)*	Below target
Dividend growth Progressive dividend growth	Achieved
Company costs Agreed by PLC Board and built into budgets	Achieved
	12.5% of max 50%
Total	**53.5% of max 100%**

* 30 day average at start and end of performance period.

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.

Performance Awards: These are based on the same long-term performance measure as the matching awards. However, in this case, there is no requirement for the participant to purchase any shares. 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.

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.

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 per cent of an award vests. The TSR and NAV growth of the Company is 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 the AIC global investment trusts.

In calculating the performance of the 2011 LTIP, two separate ranking tables have been produced – one for the "TSR element" of the award and another for the "NAV element". The 2011 LTIP has met its minimum thresholds and will vest as follows:

Peer Group ranking out of 32			**%**
TSR Rank*	15	TSR Payout	42.76
NAV Rank*	16	NAV Payout	25.00
		Combined payout	**33.88**

* 30 day average at start and end of performance period.

The 2011 LTIP has satisfied its minimum vesting requirements and has achieved an above median ranking of 15th from 32 peer group based upon the TSR measure and 16th from 32 peer group based upon the NAV measure. This will mean awards of 33.88% of maximum awards granted in 2011 will be released in 2014.

As a former Director, Robert Burgess participated in the LTIP which vested in 2013 and he received an award of 105,755 shares. In respect of the LTIP which will vest in 2014 he will receive 17,292 shares. In each case the awards were pro-rated based upon his service to February 2012.

In 2013 we stated that the 2010 LTIP vested at 53.1% and we have subsequently identified an error in our calculations. This was a genuine error due to a reduction in the comparator peer group. The correct vesting figure was 51.7% and we have reduced the entitlement of all employees who wrongly received the higher award to recover the excess.

All Employee Share Ownership Plan

Executive Directors and employees may participate in the Company's All Employee Share Ownership Plan (AESOP). All participants are treated in the same way and each may:

1) elect to purchase shares in the Company from pre-tax income up to a maximum of £1,500 (£1,800 from 6 April 2014) per tax year;
2) receive Dividend Shares purchased from dividends paid in respect of shares held by the participant in the Scheme; and
3) receive up to £3,000 worth of shares in each year (£3,600 from 6 April 2014)

This year all full-time participants who were in the Plan for the full year will receive an award of shares, valued at £2,000. Part-time employees and those that joined the Plan part way through the year will receive a pro-rated award.

Remuneration Code disclosures

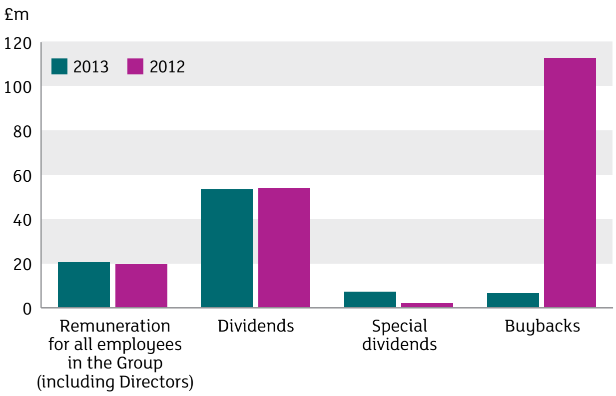
The following table sets out fixed and variable remuneration paid to the Senior Managers and other Remuneration Code staff whose actions have a significant impact on the risk profile of the Company.

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.

Year end	31 Dec 2012	31 Dec 2013
Fixed remuneration	£3.5m	£3.6m
Variable remuneration	£4.5m	£3.2m
Number of beneficiaries	27	22

Relative importance of spend on pay

The chart below shows, in respect of this and the preceding financial year, the actual expenditure of the Company on remuneration and distributions to shareholders by way of dividend and share buybacks.



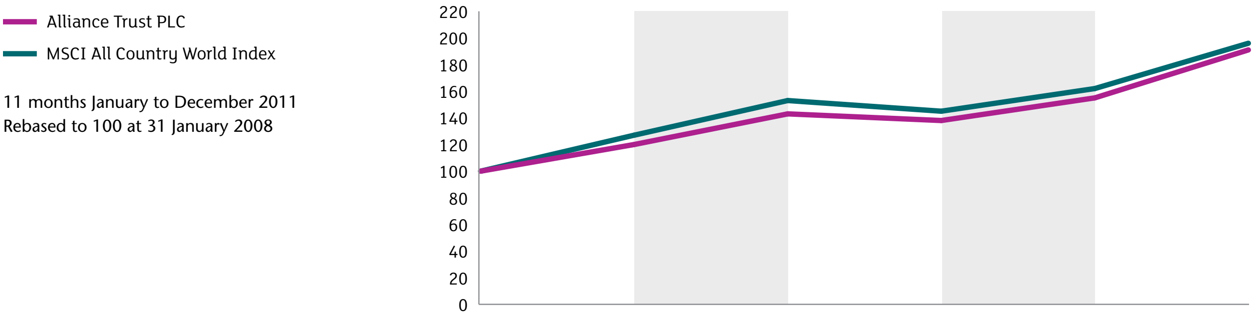
Directors' shareholdings

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

Directors' shareholdings	As at 1 Jan 2013 or date of appointment if later	As at 31 Dec 2013	Acquired between 31 Dec 2013 - 6 March 2014
Karin Forseke	22,000	100,181	599
Katherine Garrett-Cox	405,335	549,667	3,731
John Hylands	68,175	82,553	418
Alastair Kerr	3,000	8,875	-
Susan Noble	4,074	14,679	72
Win Robbins	11,544	11,742	60
Alan Trotter	31,966	91,317	80

Performance graph

The graph below shows the TSR for holders of Alliance Trust PLC Ordinary Shares, measured against the MSCI All Country World Index. We do not benchmark the Company's performance against this index. However we are required by law to include a graph showing the TSR for our shares against a broad equity index. As a global investment trust we have selected the MSCI All Country World Index because, with over 2,000 large and mid-cap equities across more than 40 territories in developed and emerging markets, it offers a useful reference point for comparison to the stocks in which we invest.



Chief Executive Officer remuneration	31 Jan 2010	31 Jan 2011	31 Dec 2011	31 Dec 2012	31 Dec 2013
Single figure of remuneration	£692,484	£700,232	£1,037,175	£1,800,326	£1,378,444
Annual bonus (as percentage of maximum opportunity)	58.4%	50.0%	90.3%	81.5%	57.5%
LTIP Vesting (as percentage of maximum opportunity)	0%	0%	0%	51.7%	33.9%

The table above shows the remuneration for the Director undertaking the role of Chief Executive Officer during each of the last five financial periods.

Voting at Annual General Meeting

At the Annual General Meeting held on 3 May 2013, votes cast by proxy and at the meeting in respect of the Directors' remuneration report were as follows:

Resolution	Votes for	%	Votes Against	%	Total votes cast	Votes withheld (abstentions)
Approval of remuneration report	203,371,466	95.68	9,190,911	4.32	212,562,377	1,749,691

Audit statement

The tables on pages 62 to 67 together with the related footnotes have been audited by the Auditor whose report is on page 71.

Approval

The Remuneration Report including the Directors' Remuneration Policy and the Implementation Report has been approved by the Board and signed on its behalf by

Alastair Kerr
Chair, Remuneration Committee

Long-Term Incentive Plan Awards

Awards made to current Executive Directors under Long-Term Incentive Plan in the year ended 31 December 2013 and earlier years.

Katherine Garrett-Cox

Scheme and year of award	At 1 Jan 13	Awards Granted in year	Awards Vested in year	Awards Lapsed in year	At 31 Dec 13	Market price of share on date of award	Vesting Date
LTIP 16 April 2013 (Matching Award)	-	75,273	-	-	75,273	£4.336	16 April 2016
LTIP 16 April 2013 (Performance Award)	-	196,148	-	-	196,148	£4.336	16 April 2016
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	-	23,196 will vest	45,270 will lapse	68,466	£3.8150	31 May 2014
LTIP 31 May 2011 (Performance Award)	222,935	-	75,530 will vest	147,405 will lapse	222,935	£3.8150	31 May 2014
LTIP 4 May 2010 (Matching Award)	70,008	-	36,194 vested	33,814 lapsed	-	£3.3970	4 May 2013
LTIP 4 May 2010 (Performance Award)	238,445	-	123,276 vested	115,169 lapsed	-	£3.3970	4 May 2013

Alan Trotter

Scheme and year of award	At 1 Jan 13	Awards Granted in year	Awards Vested in year	Awards Lapsed in year	At 31 Dec 13	Market price of share on date of award	Vesting Date
LTIP 16 April 2013 (Matching Award)	-	38,256	-	-	38,256	£4.336	16 April 2016
LTIP 16 April 2013 (Performance Award)	-	103,782	-	-	103,782	£4.336	16 April 2016
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		11,966 will vest	23,354 will lapse	35,320	£3.8150	31 May 2014
LTIP 31 May 2011 (Performance Award)	117,955		39,963 will vest	77,992 will lapse	117,955	£3.8150	31 May 2014
LTIP 4 May 2010 (Performance Award)	123,638	-	65,651 vested	57,987 lapsed	-	£3.3970	4 May 2013
Agreement 4 May 2010 (Share Award)*	34,571	-	18,357 vested	16,214 lapsed	-	£3.3970	4 May 2013

* 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.

Other governance matters

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.

Directors' and Officers' indemnification

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

Access to advice

All Directors have access to independent professional advice if necessary.

Relationship with shareholders

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

In addition to these meetings, the Company hosted two investor forums during the year where individual shareholders had the opportunity to meet Directors and senior managers. Almost 500 shareholders, customers of Alliance Trust Savings and their guests attended these meetings.

Investment Trust Status

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

Conflicts of interest

The Directors have previously provided details of all interests which potentially could cause a conflict of interest to arise. The unconflicted Directors in each case noted the declarations by the Directors of their other interests and confirmed that at that time none of the interests disclosed were reasonably likely to give rise to a conflict. An annual review of all interests was undertaken as part of the year end process and this was considered by the Board in February 2014. Procedures are in place to allow Directors to request authority should it be required outwith the normal Board meeting schedule.

Director development

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

Re-election of Directors

Details of the current Directors can be found on pages 40 and 41.

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.

The individual performance of each Director and their ongoing suitability for re-election was considered and endorsed by the Nomination Committee. All are recommended for 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.

Name	Designation	Appointed
Karin Forseke	Chair	01/03/12
Katherine Garrett-Cox	Chief Executive	01/05/07
John Hylands	Non-Executive Director	22/02/08
Alastair Kerr	Non-Executive Director	01/10/12
Susan Noble	Non-Executive Director	11/07/12
Win Robbins	Non-Executive Director	14/02/13
Alan Trotter	Executive Director	01/02/10

Share capital and waiver of dividends

The Company's issued share capital as at 31 December 2013 comprised 560,094,146 Ordinary 2.5p shares of which 1,338,233 have been acquired by the Trustee of an Employee Benefit Trust ('the Trustee') with funds provided by the Company in connection with its employee share plans. The Trustee has elected to waive all dividends payable in respect of those shares. Each Ordinary share of the Company is entitled to one vote but the Trustee does not vote in respect of the shares held by it on behalf of the Company.

In the course of the year the Company acquired and cancelled 1,485,000 shares at a total consideration, before costs and charges, of £6m.

There are no preference shares or shares held in treasury.

Agreement in respect of voting rights

There are no agreements in respect of voting rights.

Major shareholders

As at 6 March 2014 the Company had received notifications from shareholders holding an interest in more than 3% of the voting rights of the ordinary shares in issue of the Company. The disclosures, updated to reflect known changes in holdings, are:

Shareholder	Nature of interest	Number of shares
DC Thomson & Company Limited and John Leng & Company Limited	Shares	33,150,000 (5.92%)
Elliott International, LP, Liverpool Limited Partnership	Shares	28,051,891 (5.01%)
	Contract for difference over shares	28,072,107 (5.01%)

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

Alliance Trust Savings Nominees Limited	141,246,020 (25.22%)

Board and Committee attendances

In addition to the scheduled Board and Committee meeting below, the Board and Committees met on a number of other occasions to consider matters arising between the scheduled meetings.

Meeting attendances	Board		Audit		Remuneration		Nomination		Board Risk	
Director	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Karin Forseke	6	6	-	-	-	-	2	2	-	-
Katherine Garrett-Cox	6	6	-	-	-	-	-	-	-	-
John Hylands	6	6	4	4	3*	3*	2	2	3	3
Alastair Kerr	6	6	2**	2**	4	4	2	2	3	3
Susan Noble	6	6	4	4	4	4	-	-	3	3
Win Robbins	4	5	2	3	2	3	-	-	-	-
Alan Trotter	6	6	-	-	-	-	-	-	-	-

* John Hylands was co-opted onto the Remuneration Committee for a meeting that took place before the appointment of Win Robbins, a meeting that took place when Win Robbins could not attend due to a commitment entered into prior to her appointment and another meeting to allow for continuity of discussion of members for a particular item of business. No additional fees were paid on these occasions.

** Alastair Kerr was co-opted onto the Audit Committee that took place before the appointment of Win Robbins and a meeting that took place when Win Robbins could not attend due to a commitment entered into prior to her appointment. No additional fees were paid on these occasions.

Greenhouse gas emissions

Mandatory disclosure of total GHG emissions data for the year ended 31 December 2013

Operational Scope	Source of GHG emissions	GHG emissions in 2013	Unit
Scope 1 (direct emissions)	• Combustion of fuel and operation of facilities • Air Conditioning refrigerant loss • Company vehicle use	215	Tonnes CO_2e
Scope 2 (indirect emissions)	• Electricity purchased for own use	489	Tonnes CO_2e
Scope 3 (indirect emissions)	• Business Travel • Downstream leased assets	627	Tonnes CO_2e
Total		**1,332**	**Tonnes CO_2e**
Key Performance Indicator (KPI)	Scope 1 + 2 normalised to per full-time employee equivalent (FTE)	2.77	Tonnes CO_2 per FTE

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014. The emissions reported here have been verified by Carbon Action. Please find details of our verification statements on our website at www.alliancetrust.co.uk.

Share buyback authority

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

Annual General Meeting

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

Report of Directors and Responsibility Statement

The Report of the Directors, including the Directors' responsibility and going concern statements, on pages 42 to 51 and 68 to 70 of this Annual Report and Accounts has been approved by the Board.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Directors' report and the Strategic report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

Karin Forseke
Chair

6 March 2014

Katherine Garrett-Cox
Chief Executive

6 March 2014

Independent Auditor's report to the members of Alliance Trust PLC

Opinion on financial statements of Alliance Trust PLC

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit and the Parent Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group and Parent Company income statements, the Group and Parent Company statements of comprehensive income, the Group and Parent Company statements of changes in equity, the Group and Parent Company Balance Sheets, the Group and Parent Company statements of cash flows, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 51 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation and ownership of listed investments	
Listed investments represent the most significant number on the balance sheet and is the main driver of the Group's and Company's performance. There is a risk that the prices quoted in respect of the listed investments held may not be reflective of fair value.	Valuation was assessed by understanding the design and implementation of key controls around listed investments and by the testing of 100% of the valuations of listed investments directly with independent pricing sources. Any differences over 1% were investigated further.
There is a risk over the recording and custody of listed investments, and whether listed investments recorded are the property of the Group and Company.	We tested ownership of listed investments by confirming the holdings at year end with the independent custodian.
Valuation of unlisted investments	
Unlisted investments are valued using methodologies agreed by management and there are key inputs to the valuation calculations which reflect management's judgement. There is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate assumptions could result in the valuation of unlisted investments being materially misstated.	We reviewed and challenged management's valuations for a sample of unlisted investments, focusing on the appropriateness of the valuation methodology and assumptions used within the calculations.
Risk of management override of internal control	
In accordance with ISAs (UK and Ireland) we have considered the risk of management override of controls.	We carried out analytical procedures and journal entry testing in order to identify and test the risk of fraud arising from management override of control. We also built an element of "unpredictability" into our detailed testing by testing immaterial and unusual items.

The Audit Committee's consideration of these risks is set out on pages 49 and 50.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the Group to be £86.4 million, which is approximately 3% of net assets.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.7 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit scope included the audit of all subsidiaries and these were subject to a full scope audit for the year ended 31 December 2013. Audits were performed for local statutory purposes at a local materiality level calculated by reference to the scale of the business concerned.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. Under the Listing Rules we are required to review certain elements of the Directors' Remuneration Report. We have nothing to report arising from these matters or our review.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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

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

Scope of the audit of the financial statements

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

Calum Thomson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
6 March 2014

Financial statements

Consolidated income statement for the year ended 31 December 2013

		Year to December 2013			Year to December 2012		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue							
Income	3	**116,295**	**-**	**116,295**	105,260	-	105,260
Profit on fair value designated investments		**-**	**420,082**	**420,082**	-	221,313	221,313
Profit/(Loss) on investment property		**-**	**211**	**211**	-	(812)	(812)
Total revenue		**116,295**	**420,293**	**536,588**	105,260	220,501	325,761
Administrative expenses	4	**(45,373)**	**(1,860)**	**(47,233)**	(41,234)	(1,625)	(42,859)
Finance costs	5	**(11,456)**	**(922)**	**(12,378)**	(10,678)	(25,358)	(36,036)
Gain on disposal of other fixed assets		**-**	**14**	**14**	-	-	-
Loss on revaluation of office premises		**-**	**-**	**-**	-	(1,900)	(1,900)
Foreign exchange (losses)/gains		**-**	**(15,189)**	**(15,189)**	5	9,026	9,031
Profit before tax		**59,466**	**402,336**	**461,802**	53,353	200,644	253,997
Tax	6	**(4,581)**	**(1,650)**	**(6,231)**	(4,249)	(103)	(4,352)
Profit for the year		**54,885**	**400,686**	**455,571**	49,104	200,541	249,645

All profit for the year is attibutable to equity holders of the parent.

Earnings per share attributable to equity holders of the parent	8						
Basic (p per share)		**9.80**	**71.58**	**81.38**	8.61	35.17	43.78
Diluted (p per share)		**9.78**	**71.37**	**81.15**	8.58	35.06	43.64

Consolidated statement of comprehensive income

	Year to December 2013			Year to December 2012		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the year	**54,885**	**400,686**	**455,571**	49,104	200,541	249,645
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial loss	**-**	**(875)**	**(875)**	-	(405)	(405)
Retirement benefit obligations deferred tax	**-**	**96**	**96**	-	48	48
Other comprehensive loss	**-**	**(779)**	**(779)**	-	(357)	(357)
Total comprehensive income for the year	**54,885**	**399,907**	**454,792**	49,104	200,184	249,288

All total comprehensive income for the year is attributable to equity holders of the parent.

Company income statement for the year ended 31 December 2013

		Year to December 2013			Year to December 2012		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue							
Income	3	**89,994**	**-**	**89,994**	80,047	-	80,047
Profit on fair value designated investments		**-**	**415,851**	**415,851**	-	199,278	199,278
Profit/(Loss) on investment property		**-**	**211**	**211**	-	(812)	(812)
Total revenue		**89,994**	**416,062**	**506,056**	80,047	198,466	278,513
Administrative expenses	4	**(20,219)**	**(1,294)**	**(21,513)**	(17,671)	(985)	(18,656)
Finance costs	5	**(3,059)**	**(3,137)**	**(6,196)**	(2,557)	(2,730)	(5,287)
Gain on disposal of other fixed assets		**-**	**14**	**14**	-	-	-
Loss on revaluation of office premises		**-**	**-**	**-**	-	(1,900)	(1,900)
Foreign exchange (losses)/gains		**-**	**(15,189)**	**(15,189)**	-	9,026	9,026
Profit before tax		**66,716**	**396,456**	**463,172**	59,819	201,877	261,696
Tax	6	**(6,100)**	**(100)**	**(6,200)**	(4,252)	-	(4,252)
Profit for the year		**60,616**	**396,356**	**456,972**	55,567	201,877	257,444

All profit for the year is attributable to equity holders of the parent.

Earnings per share attributable to equity shareholders	8						
Basic (p per share)		**10.83**	**70.80**	**81.63**	9.74	35.40	45.14
Diluted (p per share)		**10.80**	**70.60**	**81.40**	9.71	35.29	45.00

Company statement of comprehensive income

	Year to December 2013			Year to December 2012		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the year	**60,616**	**396,356**	**456,972**	55,567	201,877	257,444
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial loss	**-**	**(875)**	**(875)**	-	(405)	(405)
Retirement benefit obligations deferred tax	**-**	**96**	**96**	-	48	48
Other comprehensive loss	**-**	**(779)**	**(779)**	-	(357)	(357)
Total comprehensive income for the year	**60,616**	**395,577**	**456,193**	55,567	201,520	257,087

All total comprehensive income for the year is attributable to equity holders of the parent.

Statement of changes in equity for the year ended 31 December 2013

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Called up share capital				
At 1 January	**14,040**	14,833	**14,040**	14,833
Own shares purchased and cancelled in the year	**(37)**	(793)	**(37)**	(793)
At 31 December	**14,003**	14,040	**14,003**	14,040
Capital reserve				
At 1 January	**1,754,368**	1,665,692	**1,718,637**	1,629,129
Profit for the year	**400,686**	200,541	**396,356**	201,877
Defined benefit plan actuarial net loss	**(779)**	(357)	**(779)**	(357)
Own shares purchased and cancelled in the year	**(6,658)**	(112,721)	**(6,658)**	(112,721)
Share based payments	**1,402**	1,213	**1,053**	709
At 31 December	**2,149,019**	1,754,368	**2,108,609**	1,718,637
Merger reserve				
At 1 January and at 31 December	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve				
At 1 January	**4,958**	4,165	**4,958**	4,165
Own shares purchased and cancelled in the year	**37**	793	**37**	793
At 31 December	**4,995**	4,958	**4,995**	4,958
Revenue reserve				
At 1 January	**68,202**	73,348	**107,649**	106,332
Profit for the year	**54,885**	49,104	**60,616**	55,567
Dividends	**(55,068)**	(54,237)	**(55,068)**	(54,237)
Unclaimed dividends	**15**	(13)	**15**	(13)
At 31 December	**68,034**	68,202	**113,212**	107,649
Total Equity at 1 January	**2,486,903**	2,403,373	**2,490,619**	2,399,794
Total Equity at 31 December	**2,881,386**	2,486,903	**2,886,154**	2,490,619

Balance sheet as at 31 December 2013

		Group		Company	
£000	**Note**	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Non-current assets					
Investments held at fair value	9	**3,317,105**	2,722,042	**3,214,461**	2,633,993
Investment property held at fair value	9	**4,525**	9,120	**4,525**	9,120
Property, plant and equipment:	9				
Office premises		**4,125**	4,125	**4,125**	4,125
Other fixed assets		**390**	587	**249**	157
Intangible assets	11	**9,124**	1,408	**814**	320
Pension scheme surplus	25	**5,079**	4,305	**5,079**	4,305
Deferred tax asset	12	**1,015**	990	**1,015**	990
		3,341,363	2,742,577	**3,230,268**	2,653,010
Current assets					
Outstanding settlements and other receivables	13	**37,340**	23,882	**21,344**	14,114
Recoverable overseas tax		**985**	1,106	**985**	1,106
Cash and cash equivalents		**473,055**	444,916	**25,236**	33,336
		511,380	469,904	**47,565**	48,556
Total assets		**3,852,743**	3,212,481	**3,277,833**	2,701,566
Current liabilities					
Outstanding settlements and other payables	14	**(589,260)**	(523,605)	**(6,131)**	(5,597)
Tax payable		**(141)**	(141)	**(3,991)**	(3,991)
Bank loans	15	**(380,000)**	(200,000)	**(380,000)**	(200,000)
		(969,401)	(723,746)	**(390,122)**	(209,588)
Total assets less current liabilities		**2,883,342**	2,488,735	**2,887,711**	2,491,978
Non-current liabilities					
Deferred tax liability	12	**(1,015)**	(990)	**(1,015)**	(990)
Finance leases	27	**(110)**	(254)	**(110)**	(102)
Amounts payable under long term Investment Incentive Plan		**(831)**	(588)	**(432)**	(267)
		(1,956)	(1,832)	**(1,557)**	(1,359)
Net assets		**2,881,386**	2,486,903	**2,886,154**	2,490,619
Equity					
Share capital	16	**14,003**	14,040	**14,003**	14,040
Capital reserve	17	**2,149,019**	1,754,368	**2,108,609**	1,718,637
Merger reserve	17	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve	17	**4,995**	4,958	**4,995**	4,958
Revenue reserve	17	**68,034**	68,202	**113,212**	107,649
Total Equity		**2,881,386**	2,486,903	**2,886,154**	2,490,619

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 (£)	18	**£5.16**	£4.44	**£5.17**	£4.45
Diluted (£)		**£5.14**	£4.43	**£5.15**	£4.44

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2014.

They were signed on its behalf by:

Karin Forseke
Chair

Katherine Garrett-Cox
Chief Executive

Cash flow statement for the year ended 31 December 2013

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Cash flows from operating activities				
Profit before tax	**461,802**	253,997	**463,172**	261,696
Adjustments for:				
Gains on investments	**(420,293)**	(220,501)	**(416,062)**	(198,466)
Foreign exchange losses/(gains)	**15,189**	(9,031)	**15,189**	(9,026)
Scrip dividends	**-**	(455)	**-**	(455)
Depreciation	**200**	91	**169**	42
Amortisation of intangibles	**1,289**	702	**154**	172
Loss on revaluation of office premises	**-**	1,900	**-**	1,900
Loss on disposal of intangible assets	**313**	-	**-**	-
Share based payment expense	**1,402**	1,213	**1,053**	709
Interest	**12,378**	36,036	**6,196**	5,287
Movement in pension scheme surplus	**(1,553)**	(1,512)	**(1,553)**	(1,512)
Operating cash flows before movements in working capital	**70,727**	62,440	**68,318**	60,347
Increase in amounts due to depositors	**45,255**	34,745	**-**	-
(Increase)/Decrease in receivables	**(10,227)**	3,015	**(2,280)**	948
Increase/(Decrease) in payables	**13,060**	4,577	**1,125**	(1,367)
Net cash flow from operating activities before income taxes	**118,815**	104,777	**67,163**	59,928
Taxes paid	**(6,110)**	(4,490)	**(6,080)**	(4,391)
Net cash inflow from operating activities	**112,705**	100,287	**61,083**	55,537
Cash flows from investing activities				
Proceeds on disposal at fair value of investments through profit and loss	**1,082,219**	1,825,622	**1,075,550**	1,668,990
Purchase of fair value through profit and loss investments	**(1,253,955)**	(1,685,709)	**(1,240,658)**	(1,538,377)
Purchase of plant and equipment	**(3)**	(663)	**(261)**	(184)
Purchase of book of business	**(8,164)**	-	**-**	-
Purchase of other intangible assets	**(1,154)**	(512)	**(648)**	(102)
Foreign exchange (losses)/gains on foreign exchange contracts	**(13,993)**	7,437	**(13,993)**	7,437
Net cash (outflow)/inflow from investing activities	**(195,050)**	146,175	**(180,010)**	137,764
Cash flows from financing activities				
Dividends paid - Equity	**(55,068)**	(67,016)	**(55,068)**	(67,016)
Unclaimed dividends	**15**	(13)	**15**	(13)
Purchase of own shares	**(6,658)**	(112,721)	**(6,658)**	(112,721)
New bank loans raised	**180,000**	-	**180,000**	-
Repayment of borrowings	**-**	(48,768)	**-**	(48,768)
Third party investment in subsidiary OEIC - Alliance Trust Investment Funds	**8,056**	23,449	**-**	-
Interest payable	**(14,665)**	(13,506)	**(6,266)**	(5,385)
Net cash inflow/(outflow) from financing activities	**111,680**	(218,575)	**112,023**	(233,903)
Net increase/(decrease) in cash and cash equivalents	**29,335**	27,887	**(6,904)**	(40,602)
Cash and cash equivalents at beginning of year	**444,916**	415,435	**33,336**	72,349
Effect of foreign exchange rate changes	**(1,196)**	1,594	**(1,196)**	1,589
Cash and cash equivalents at end of year	**473,055**	444,916	**25,236**	33,336

Notes

1 General Information

Alliance Trust PLC was incorporated in the United Kingdom under the Companies Acts 1862-1886. The address of the registered office is given on page 115. The nature of the Group's operations and its principal activities are a global investment trust. The following notes refer to the year ended 31 December 2013 and the comparatives which are in brackets for the year ended 31 December 2012.

Critical accounting estimates and judgements

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

Valuation of unlisted investments

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

Defined benefit scheme

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

2 Summary of Significant Accounting Policies

The Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements for the reasons set out on page 51.

Basis of accounting

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

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

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

Adopted IFRSs

Amendments to the following IFRSs were applicable for the year ended 31 December 2013;

IAS 1 Amendments to the presentation and classification of other Comprehensive Income

IFRS 7 Amendments to financial instruments disclosure relation to offsetting of financial assets and liabilities

IFRS 13 Amendments to fair value measurement and disclosure

IAS 19 Amendments to Employee Benefits. The revised standard has replaced the interest cost and expected return on the defined benefit scheme assets with a net interest charge. For the current year both the profit recognised in the income statement and the loss recognised in other comprehensive income are £28,000 lower than they would have been under the previous version of this accounting standard. The comparatives have not been restated as the impact is not material to the overall results of the Group. Had we restated the comparatives for 2012 under IAS 19 then the profit would have been £50,000 higher and other comprehensive income would have been £50,000 higher than we have reported.

As the Group has always recognised gains and losses immediately there has been no effect on the prior year defined benefit obligation.

2 Summary of Significant Accounting Policies

IFRSs not yet applied

The following standards and interpretations which have been endorsed by the European Union but are not effective for the year ended 31 December 2013 and have not been applied in preparing the financial statements but are relevant to the financial statements of the Group and the Company:

IFRS 9	Financial instruments (revised)
IFRS 10	Accounting for consolidated financial statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interest in Other entities
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Amendments to Financial Instruments in relation to off-setting financial assets and liabilities

Any required changes will be applicable to the financial statements of the Company and Group for the year ended 31 December 2014 and future years and are expected to impact the Company and Group's accounting for financial assets and liabilities and the disclosures thereof.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities. Where the Company has an investment of over 50% of the issued share capital of an Open Ended Investment Company ('OEIC'), the Company will treat the OEIC as a subsidiary. Third party investment in the OEICs is recognised in the balance sheet as a liability. Net gains/losses attributable to these investors are treated as finance costs in the income statement and are disclosed in note 5 on page 86 of the financial statements. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of income statement

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

Revenue recognition

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

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

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

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

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

Underwriting commission is recognised as earned.

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

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

Foreign currencies

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

2 Summary of Significant Accounting Policies

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the acquisition of an investment are included within the cost of that investment.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Annual bonus and Incentive Plan costs which relate to the achievement of investment manager performance objectives and total shareholder return and net asset value performance objectives are allocated against capital profits and those that relate to the achievement of other corporate targets or job performance objectives against revenue profits save for those costs associated with the fixed income bond fund which are all allocated to revenue costs.
- The Directors have determined to allocate two thirds of the cost of bank indebtedness incurred to finance investment against capital profits with the balance being allocated against revenue profits save for those costs associated with the fixed income bond fund which are all allocated to revenue costs.

Operating leases

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

Share based payments

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

Investment incentive plan

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

Pension costs

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

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

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

Taxation

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies

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

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

Financial instruments

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

Derivative financial instruments

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

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

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

Investments

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

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

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

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

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

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

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

Cash and cash equivalents

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

Other receivables

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

Office premises

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

Intangible assets

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

The intangible asset associated with the purchase by ATI of a book of business from Aviva Investors is held at the initial consideration and expected deferred consideration less accumulated depreciation, amortised over the estimated remaining useful life of ten years.

2 Summary of Significant Accounting Policies

Other fixed assets

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

Impairment

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

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

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for through the income statement on an accruals basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other payables

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

Buy backs and cancellation of shares

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

Realised and unrealised capital reserves

A description of each of the reserves follows:

Capital reserve

The following are recorded through this reserve:

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

Revaluation reserve

This reserve is used to record changes in the valuation of the office premises. A downward revaluation in office premises is charged to the income statement to the extent that there is no earlier upward revaluation in this reserve for those premises.

Merger reserve

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

Capital redemption reserve

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

Revenue reserve

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

3 Revenue

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income from investments *				
Listed dividends - UK	**27,978**	37,347	**22,275**	30,777
Unlisted dividends - UK	**78**	227	**78**	122
Distributions from Collective Investment Schemes	**-**	-	**14,132**	12,706
Unlisted dividends - Subsidiaries	**-**	-	**1,000**	1,000
Listed dividends - Overseas	**49,010**	31,921	**49,010**	31,921
Unlisted dividends - Overseas	**39**	18	**39**	18
Interest on fixed income securities	**17,836**	16,043	**397**	726
Scrip dividends	**-**	455	**-**	455
	94,941	86,011	**86,931**	77,725
Other income				
Property rental income	**646**	757	**646**	757
Mineral rights income	**2,303**	1,070	**2,303**	1,070
Deposit interest	**2,024**	3,137	**105**	491
Savings and pension plan charges	**9,426**	11,823	**-**	-
Other income	**6,955**	2,462	**9**	4
	21,354	19,249	**3,063**	2,322
Total income	**116,295**	105,260	**89,994**	80,047
Investment income comprises				
Listed UK	**45,418**	52,665	**36,407**	43,483
Listed Overseas	**49,049**	31,921	**49,049**	31,921
Unlisted	**78**	245	**1,078**	1,141
Other	**396**	1,180	**397**	1,180
	94,941	86,011	**86,931**	77,725

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

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

	Group			Group		
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Staff costs	**17,278**	**1,860**	**19,138**	16,713	1,625	18,338
Social security costs	**2,461**	**-**	**2,461**	1,884	-	1,884
Pension credit - defined benefit scheme *	**(149)**	**-**	**(149)**	(60)	-	(60)
Pension costs - defined contribution scheme	**1,691**	**-**	**1,691**	1,643	-	1,643
	21,281	**1,860**	**23,141**	20,180	1,625	21,805

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

	Group			Group		
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Auditor's remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	**57**	**-**	**57**	52	-	52
Fee payable to the auditor for subsidiary audits	**92**	**-**	**92**	70	-	70
Total audit fees	**149**	**-**	**149**	122	-	122
Audt related assurance services	**23**	**-**	**23**	23	-	23
All other services	**32**	**-**	**32**	45	-	45
Total non-audit fees	**55**	**-**	**55**	68	-	68
Fees payable to the Company's auditor in respect of associated pension schemes audit	**3**	**-**	**3**	3	-	3
	3	**-**	**3**	3	-	3
Total remuneration	**207**	**-**	**207**	193	-	193

Operating lease charges						
Land and buildings	**127**	**-**	**127**	127	-	127
Other	**63**	**-**	**63**	62	-	62
Total operating lease charges	**190**	**-**	**190**	189	-	189
Other administrative costs including auditor's remuneration	**23,695**	**-**	**23,695**	20,672	-	20,672
Total administrative expenses	**45,373**	**1,860**	**47,233**	41,234	1,625	42,859

	Company			Company		
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Staff costs	**7,947**	**1,294**	**9,241**	6,391	985	7,376
Social security costs	**1,242**	**-**	**1,242**	771	-	771
Pension credit - defined benefit scheme*	**(149)**	**-**	**(149)**	(30)	-	(30)
Pension costs - defined contribution scheme	**717**	**-**	**717**	623	-	623
	9,757	**1,294**	**11,051**	7,755	985	8,740

Auditor's remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	**57**	**-**	**57**	52	-	52
Total audit fees	**57**	**-**	**57**	52	-	52
All other services	**8**	**-**	**8**	37	-	37
Total non-audit fees	**8**	**-**	**8**	37	-	37
Fees payable to the Company's auditor in respect of associated pension schemes audit	**3**	**-**	**3**	1	-	1
	3	**-**	**3**	1	-	1
Total remuneration	**68**	**-**	**68**	90	-	90

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

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

Operating lease charges						
Land and buildings	**114**	**-**	**114**	6	-	6
Other	**36**	**-**	**36**	28	-	28
Total operating lease charges	**150**	**-**	**150**	34	-	34
Other administrative costs including auditor's remuneration	**10,244**	**-**	**10,244**	9,792	-	9,792
Total administrative costs	**20,219**	**1,294**	**21,513**	17,671	985	18,656

Total Directors' remuneration was £1,652,000 (£2,458,000). Further details are given on pages 62 to 67. In the year the Group employed an average of 225 (247) full-time and 12 (18) part-time staff, excluding Directors. The average full time equivalents in the year was 233.

Ongoing charges (OCR) of the Company amounted to 0.75% (0.67%) of the average net assets. Including capital incentives, OCR of the Company amounted to 0.80% (0.71%) of the average net assets.

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

5 Finance costs

		Group			**Group**	
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Payable to depositors	**9**	**-**	**9**	3	-	3
Bank loans and overdrafts	**3,061**	**3,137**	**6,198**	2,560	2,730	5,290
Net gains/(losses) attributable to third party investment in subsidiary OEIC	**8,386**	**(2,215)**	**6,171**	8,115	22,628	30,743
Total finance costs	**11,456**	**922**	**12,378**	10,678	25,358	36,036

		Company			**Company**	
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Bank loans and overdrafts	**3,059**	**3,137**	**6,196**	2,557	2,730	5,287
Total finance costs	**3,059**	**3,137**	**6,196**	2,557	2,730	5,287

6 Taxation

		Group			**Group**	
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
UK corporation tax at 23.25% (24.5%)	**(1,550)**	**1,550**	**-**	(103)	103	-
Overseas taxation	**6,034**	**100**	**6,134**	4,303	-	4,303
	4,484	**1,650**	**6,134**	4,200	103	4,303
Deferred taxation	**97**	**-**	**97**	49	-	49
Tax expense for the year	**4,581**	**1,650**	**6,231**	4,249	103	4,352

6 Taxation

Corporation tax is calculated at the average rate of 23.25% (24.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

	Group			Group		
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Profit before tax	**59,466**	**402,336**	**461,802**	53,353	200,644	253,997
Tax at the average UK corporation tax rate of 23.25% (24.5%)	**13,826**	**93,543**	**107,369**	13,072	49,158	62,230
Non taxable dividend income	**(18,520)**	**-**	**(18,520)**	(18,379)	-	(18,379)
Losses on investments not taxable	**-**	**(96,168)**	**(96,168)**	-	(53,467)	(53,467)
Foreign exchange adjustments	**-**	**3,531**	**3,531**	-	(2,211)	(2,211)
Effect of changes in tax rates	**(79)**	**-**	**(79)**	(50)	-	(50)
Effects of overseas tax	**6,034**	**100**	**6,134**	4,200	-	4,200
Deferred tax assets not recognised	**2,257**	**784**	**3,041**	3,330	710	4,040
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**539**	**376**	**915**	2,076	5,913	7,989
Relief for brought forward tax losses	**(936)**	**-**	**(936)**	-	-	-
Expenses not deductable for tax purposes	**1,648**	**(516)**	**1,132**	-	-	-
Expense relief for overseas tax	**(188)**	**-**	**(188)**	-	-	-
Tax expense for the year	**4,581**	**1,650**	**6,231**	4,249	103	4,352

	Company			Company		
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
UK corporation tax at 23.25% (24.5%)	**(19)**	**-**	**(19)**	(34)	-	(34)
Prior year adjustment	**-**	**-**	**-**	(13)	-	(13)
Overseas taxation	**6,022**	**100**	**6,122**	4,250	-	4,250
	6,003	**100**	**6,103**	4,203	-	4,203
Deferred taxation	**97**	**-**	**97**	49	-	49
Tax expense for the year	**6,100**	**100**	**6,200**	4,252	-	4,252

Corporation tax is calculated at the average rate of 23.25% (24.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

	Company			Company		
£000	**Dec 13 Revenue**	**Dec 13 Capital**	**Dec 13 Total**	**Dec 12 Revenue**	**Dec 12 Capital**	**Dec 12 Total**
Profit before tax	**66,716**	**396,456**	**463,172**	59,819	201,877	261,696
Tax at the average UK corporation tax rate of 23.25% (24.5%)	**15,511**	**92,176**	**107,687**	14,656	49,460	64,116
Non taxable dividend income	**(16,658)**	**-**	**(16,658)**	(16,373)	-	(16,373)
Losses on investments not taxable	**-**	**(96,738)**	**(96,738)**	-	(48,159)	(48,159)
Prior year adjustment	**1**	**-**	**1**	(13)	-	(13)
Foreign exchange adjustments	**-**	**3,532**	**3,532**	-	(2,211)	(2,211)
Effect of changes in tax rates	**(79)**	**-**	**(79)**	(50)	-	(50)
Effects of overseas tax	**6,022**	**100**	**6,122**	4,146	-	4,146
Deferred tax assets not recognised	**1,120**	**780**	**1,900**	1,688	710	2,398
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**295**	**250**	**545**	198	200	398
Expenses not deductable for tax purposes	**76**	**-**	**76**	-	-	-
Expense relief for overseas tax	**(188)**	**-**	**(188)**	-	-	-
Tax expense for the year	**6,100**	**100**	**6,200**	4,252	-	4,252

7 Dividends

£000	Dec 13	Dec 12
Fourth interim dividend for the period ended 31 December 2011 of 2.577p per share	-	14,986*
First interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	13,269
Second interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	13,005
Third interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	12,977
Fourth interim dividend for the year ended 31 December 2012 of 2.3175p per share	**12,974***	-
First interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,367**	-
Second interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,368**	-
Third interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,344**	-
	53,053	54,237
Special dividend for the year ended 31 December 2012 of 0.36p per share	**2,015**	-
	55,068	54,237

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

First interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	13,269
Second interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	13,005
Third interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	12,977
Fourth interim dividend for the year ended 31 December 2012 of 2.3175p per share	-	12,973
First interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,367**	-
Second interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,368**	-
Third interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,344**	-
Fourth interim dividend for the year ended 31 December 2013 of 2.387p per share	**13,369**	-
	53,448	52,224
Special dividend for the year ended 31 December 2012 of 0.36p per share	-	2,015
Special dividend for the year ended 31 December 2013 of 1.282p per share	**7,180**	-
	60,628	54,239

* December 2011 and 2012 figures have been adjusted to reflect share buy backs

8 Earnings per share

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

	Group			Group		
£000	Dec 13 Revenue	Dec 13 Capital	Dec 13 Total	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**54,885**	**400,686**	**455,571**	49,104	200,541	249,645
Number of shares						
Weighted average number of ordinary shares for the purpose of basic earnings per share			**559,789,087**			570,233,465
Weighted average number of ordinary shares for the purpose of diluted earnings per share			**561,389,625**			572,003,682

	Company			Company		
£000	Dec 13 Revenue	Dec 13 Capital	Dec 13 Total	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**60,616**	**396,356**	**456,972**	55,567	201,877	257,444
Number of shares						
Weighted average number of ordinary shares for the purpose of basic earnings per share			**559,789,087**			570,233,465

8 Earnings per share

Weighted average number of ordinary shares for the purpose of diluted earnings per share	**561,389,625**	572,003,682

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

To arrive at the basic figure the number of shares has been reduced by 1,338,233 (1,770,218) ordinary shares held by the Trustee of the Employee Benefit Trust ("EBT"). During the period the Trustee increased its holding by Nil shares (6). 431,985 (Nil) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

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

9 Non-current assets

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Investments designated at fair value through profit and loss:				
Investments listed on a recognised investment exchange	**3,188,951**	2,607,869	**2,594,942**	1,982,318
Credit default swaps held at fair value through profit and loss	**(7,371)**	(3,189)	**-**	-
Interest rate swaps held at fair value through profit and loss	**(164)**	-	**-**	-
Forward currency exchange contracts held at fair value through profit and loss	**(2,357)**	-	**(2,357)**	-
	3,179,059	2,604,680	**2,592,585**	1,982,318
Unlisted investments	**138,046**	117,362	**47,241**	50,828
Investment in collective investment schemes (subsidiary companies, note 10)	**-**	-	**424,099**	478,444
Investments in related and subsidiary companies (note 10)	**-**	-	**150,536**	122,403
	3,317,105	2,722,042	**3,214,461**	2,633,993
Investment property†	**4,525**	9,120	**4,525**	9,120
Total investments	**3,321,630**	2,731,162	**3,218,986**	2,643,113

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

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

The Group and Company invest in forward currency exchange contracts which are integral to the investment strategy.

At 31 December 2013 the market value of the derivative instruments within the ATIF funds amounted to £7.5m (£3.2m), as a result of the open credit default swaps and interest rate swaps at the year end.

At 31 December 2013 the Group had bought and sold protection for the following notional amounts.

£000	**Market Value**	**Bought**	**Sold**	**Total**
Single name credit default swaps	**(367)**	**33,500**	**-**	**33,500**
iTraxx credit default swaps	**(7,004)**	**55,500**	**(55,500)**	**-**
Interest rate swaps	**(164)**	**60,000**	**-**	**60,000**
Total	**(7,535)**	**149,000**	**(55,500)**	**93,500**

The investments in the ATIF funds including all open credit default swaps and interest rate swaps are included within listed investments below for both Group and Company and further information is indicated in note 23.5.

December 2012		**Group**		
£000	**Listed Investments**	**Investment Property**	**Unlisted Investments**	**Total**
Opening book cost as at 1 January 2012	2,310,174	17,135	112,712	2,440,021
Opening unrealised appreciation/(depreciation)	223,252	(7,360)	(20,523)	195,369
Opening valuation as at 1 January 2012	2,533,426	9,775	92,189	2,635,390
Movements in the year				
Purchases at cost	1,511,388	220	25,539	1,537,147
Sales - proceeds	(1,655,898)	(63)	(5,915)	(1,661,876)
- realised gains/(losses) on sales	150,226	-	(12,783)	137,443
Increase/(Decrease) in appreciation on assets held	65,538	(812)	18,332	83,058
Closing valuation as at 31 December 2012	2,604,680	9,120	117,362	2,731,162

9 Non-current assets

December 2012 — **Group**

£000	Listed Investments	Investment Property	Unlisted Investments	Total
Closing book cost	2,315,889	17,293	119,552	2,452,734
Closing appreciation/(depreciation) on assets held	288,791	(8,173)	(2,190)	278,428
Closing valuation as at 31 December 2012	2,604,680	9,120	117,362	2,731,162

December 2013 — **Group**

£000	Listed Investments	Investment Property	Unlisted Investments	Total
Opening book cost as at 1 January 2013	2,315,889	17,293	119,552	2,452,734
Opening unrealised appreciation/(depreciation)	288,791	(8,173)	(2,190)	278,428
Opening valuation as at 1 January 2013	2,604,680	9,120	117,362	2,731,162
Movements in the year				
Purchases at cost	1,234,216	144	21,265	1,255,625
Sales - proceeds	(1,071,973)	(4,950)	(8,527)	(1,085,450)
- realised gains/(losses) on sales	223,108	(2,095)	(2,778)	218,235
Increase in appreciation on assets held	189,028	2,306	10,724	202,058
Closing valuation as at 31 December 2013	3,179,059	4,525	138,046	3,321,630
Closing book cost	2,701,240	10,392	129,512	2,841,144
Closing appreciation/(depreciation) on assets held	477,819	(5,867)	8,534	480,486
Closing valuation as at 31 December 2013	3,179,059	4,525	138,046	3,321,630

December 2012 — **Company**

£000	Listed Investments	Investment Property	Related and Subsidiary Companies	Unlisted Investments	Total
Opening book cost as at 1 January 2012	2,203,063	17,135	125,558	68,383	2,414,139
Opening unrealised appreciation/(depreciation)	223,792	(7,360)	(47,329)	(12,891)	156,212
Opening valuation as at 1 January 2012	2,426,855	9,775	78,229	55,492	2,570,351
Movements in the year					
Purchases at cost*	1,493,672	220	39,038	3,246	1,536,176
Sales - proceeds*	(1,655,898)	(63)	(814)	(5,104)	(1,661,879)
- realised gains/(losses) on sales	130,597	-	1,375	(14,522)	117,450
Increase/(Decrease) in appreciation on assets held	65,536	(812)	4,575	11,716	81,015
Closing valuation as at 31 December 2012	2,460,762	9,120	122,403	50,828	2,643,113
Closing book cost	2,171,434	17,293	165,157	52,004	2,405,888
Closing appreciation/(depreciation) on assets held	289,328	(8,173)	(42,754)	(1,176)	237,225
Closing valuation as at 31 December 2012	2,460,762	9,120	122,403	50,828	2,643,113

December 2013 — **Company**

£000	Listed Investments	Investment Property	Related and Subsidiary Companies	Unlisted Investments	Total
Opening book cost as at 1 January 2013	2,171,434	17,293	165,157	52,004	2,405,888
Opening unrealised appreciation/(depreciation)	289,328	(8,173)	(42,754)	(1,176)	237,225
Opening valuation 1 January 2013	2,460,762	9,120	122,403	50,828	2,643,113
Movements in the year					
Purchases at cost*	1,207,402	144	30,624	2,141	1,240,311
Sales - proceeds*	(1,071,973)	(4,950)	-	(3,577)	(1,080,500)
- realised gains/(losses) on sales	231,465	(2,095)	-	(683)	228,687

9 Non-current assets

December 2013	Company				
£000	**Listed Investments**	**Investment Property**	**Related and Subsidiary Companies**	**Unlisted Investments**	**Total**
Increase/(Decrease) in appreciation on assets held	189,028	2,306	(2,491)	(1,468)	187,375
Closing valuation as at 31 December 2013	3,016,684	4,525	150,536	47,241	3,218,986
Closing book cost	2,538,328	10,392	195,781	49,885	2,794,386
Closing appreciation/(depreciation) on assets held	478,356	(5,867)	(45,245)	(2,644)	424,600
Closing valuation as at 31 December 2013	3,016,684	4,525	150,536	47,241	3,218,986

* Expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from the sale proceeds. These expenses amount to £3,046,000 for purchases (£3,062,000) and £1,856,000 for sales (£2,651,000).

A geographical analysis of the investment portfolio by broad industrial or commercial sector together with a list of the quoted equity investments in the portfolio is given on pages 26, 27, 28 and 29. Both are unaudited.

The investment property was valued as at 31 December 2013 by DTZ on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The historic cost of the investment property is £10,740,000 (£17,293,000).

£000	Group and Company
	Office premises freehold / Heritable property
Valuation at 31 December 2011	6,025
Revaluation	(1,900)
Valuation at 31 December 2012	4,125
Valuation at 31 December 2013	4,125

At 31 December 2012 DTZ, an independent Chartered Surveyor, valued the office premises at 8 West Marketgait, Dundee at £4.125m on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The historic cost of the building as at 31 December 2013 was £12.7m.

£000	Group	Company
Other Fixed Assets		
Opening book cost at 1 January 2012	91	50
Additions	663	184
Disposals	-	-
Book cost at 31 December 2012	754	234
Additions	3	261
Disposals	(80)	(40)
Book cost at 31 December 2013	677	455
Opening depreciation at 1 January 2012	(76)	(35)
Depreciation charge	(91)	(42)
Disposals	-	-
Depreciation at 31 December 2012	(167)	(77)
Depreciation charge	(200)	(169)
Disposals	80	40
Depreciation at 31 December 2013	(287)	(206)
Net book value at 31 December 2012	587	157
Net book value at 31 December 2013	390	249

10 Subsidiaries

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

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

At 31 December 2013 the Company owned 100% of ATS, ATF, AT2006, SAL, ATREP, ATI, ATSL, ATEP and AT PE Manco. AT2006 owned 100% of SATL, ATEP owned 100% of ATEPL, AVMGP, ATEP 2008GP and ATEP 2009GP.

Investments in subsidiary companies are valued in the Company's accounts at £150,536,000 (£122,403,000) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association. This includes Alliance Trust Savings Limited at £26.7m (£24.6m) and Alliance Trust Investments Limited at £12.8m (£10.1m), our two main trading subsidiaries. See note 23.8 for further information.

The Company has seed funded sub funds of ATIF. As at 31 December 2013 the Company held the following proportions of each class of share in ATIF. The value of the shares held by the Company is also given below:

	Dec 13 Proportion %	Dec 13 Value £000	Dec 12 Proportion %	Dec 12 Value £000
North American Equity Fund	**-**	**-**	77	45,240
European Equity Income Fund	**-**	**-**	93	48,537
Monthly Income Bond Fund	**50**	**165,257**	53	169,630
Global Thematic Opportunities Fund	**97**	**205,492**	98	164,087
Dynamic Bond Fund	**88**	**53,350**	100	50,950
	70	**424,099**	73	478,444

11 Intangible assets

	Group			Company		
£000	**Book of business**	**Technology systems**	**Total**	**Book of business**	**Technology systems**	**Total**
Opening book cost at 1 January 2012	-	9,819	9,819	-	2,435	2,435
Additions	-	512	512	-	102	102
Book cost at 1 January 2013	**-**	**10,331**	**10,331**	**-**	**2,537**	**2,537**
Additions	**8,164**	**1,154**	**9,318**	**-**	**648**	**648**
Impairment	**-**	**(2,247)**	**(2,247)**	**-**	**-**	**-**
Book cost at 31 December 2013	**8,164**	**9,238**	**17,402**	**-**	**3,185**	**3,185**
Opening amortisation at 1 January 2012	-	(8,221)	(8,221)	-	(2,045)	(2,045)
Amortisation	-	(702)	(702)	-	(172)	(172)
Amortisation at 1 January 2013	**-**	**(8,923)**	**(8,923)**	**-**	**(2,217)**	**(2,217)**
Amortisation	**(748)**	**(541)**	**(1,289)**	**-**	**(154)**	**(154)**
Impairment	**-**	**1,934**	**1,934**	**-**	**-**	**-**
Amortisation as at 31 December 2013	**(748)**	**(7,530)**	**(8,278)**	**-**	**(2,371)**	**(2,371)**
Carrying amount as at 31 December 2012	-	1,408	1,408	-	320	320
Carrying amount as at 31 December 2013	**7,416**	**1,708**	**9,124**	**-**	**814**	**814**

Amortisation is included within administrative expenses in the income statement. The existing technology of ATS has been impaired following the decision to invest in new technology for ATS.

12 Deferred tax

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

Group

£000	**Retirement Benefit Obligations**	**Accelerated Tax Depreciation**	**Tax Losses**	**Foreign Tax**	**Other**	**Total**
At 1 January 2012 - (liability)/asset	(787)	(120)	717	-	190	-
Income statement - deferred tax credit	108	120	331	-	-	559
Income statement - deferred tax (charge)	(359)	-	(58)	-	(190)	(607)
Equity - deferred tax credit	48	-	-	-	-	48
At 31 December 2012 - (liability)/asset	(990)	-	990	-	-	-
Income statement - deferred tax credit	209	-	154	-	-	363
Income statement - deferred tax (charge)	(330)	-	(129)	-	-	(459)
Equity - deferred tax credit	175	-	-	-	-	175
Equity - deferred tax (charge)	(79)	-	-	-	-	(79)
At 31 December 2013 - (liability)/asset	(1,015)	-	1,015	-	-	-

At the balance sheet date, the Group had unused tax losses of £72.8m (£64.3m) available for offset against future profits.

There are unrecognised deferred tax assets of £14.6m (£14.8m) in relation to unused tax losses, and £1.4m (£1.6m) in relation to fixed assets and other timing differences.

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

12 Deferred tax

Company

£000	Retirement benefit obligations	Accelarated Tax Depreciation	Losses	Foreign Tax	Other	Total
At 1 January 2012 - (liability)/asset	(787)	(120)	717	-	190	-
Income statement - deferred tax credit	108	120	331	-	-	559
Income statement - deferred tax (charge)	(359)	-	(58)	-	(190)	(607)
Equity - deferred tax credit	48	-	-	-	-	48
At 31 December 2012 - (liability)/asset	(990)	-	990	-	-	-
Income statement - deferred tax credit	209	-	154	-	-	363
Income statement - deferred tax (charge)	(330)	-	(129)	-	-	(459)
Equity - deferred tax credit	175	-	-	-	-	175
Equity - deferred tax (charge)	(79)	-	-	-	-	(79)
At 31 December 2013 - (liability)/asset	(1,015)	-	1,015	-	-	-

At the balance sheet date, the Company had unused tax losses of £29.1m (£12.9m) available for offset against future profits.

There are unrecognised deferred tax assets of £5.8m (£5.0m) in relation to unused tax losses, and £0.1m (£0.1m) in relation to fixed assets and other timing differences.

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

13 Outstanding settlements and other receivables

	Group		Company	
£000	Dec 13	Dec 12	Dec 13	Dec 12
Sales of investments awaiting settlement	**13,175**	9,944	**4,950**	-
Dividends receivable	**5,123**	2,941	**5,123**	2,941
Other income receivable	**755**	1,491	**306**	346
Amounts due from subsidiary companies	**-**	-	**9,480**	9,531
Other debtors	**18,287**	9,506	**1,485**	1,296
	37,340	23,882	**21,344**	14,114

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

Of the £9.5m (£10m) due from subsidiary companies, £7.1m (£7.1m) is due after one year.

14 Outstanding settlements and other payables

	Group		Company	
£000	Dec 13	Dec 12	Dec 13	Dec 12
Purchases of investments awaiting settlement	**8,813**	7,143	**-**	347
Amounts due to depositors	**362,233**	316,978	**-**	-
Amounts due to third party investors in subsidiary OEIC	**177,111**	171,270	**-**	-
Amounts due to subsidiary companies	**-**	-	**1,167**	916
Other creditors	**41,103**	28,214	**4,964**	4,334
	589,260	523,605	**6,131**	5,597

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

15 Bank loans

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Bank loans repayable within one year	**380,000**	200,000	**380,000**	200,000
Analysis of borrowings by currency:				
Bank loans - Sterling	**380,000**	200,000	**380,000**	200,000
The weighted average % interest rates payable:				
Bank loans	**1.81%**	1.57%	**1.81%**	1.57%
The Directors estimate the fair value of the borrowings to be:				
Bank loans	**380,000**	200,000	**380,000**	200,000

16 Share capital

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Allotted, called up and fully paid:				
- 560,094,146 ordinary shares of 2.5p each	**14,003**	14,040	**14,003**	14,040

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

The Employee Benefit Trust holds 1,338,233 (1,770,218) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee increased its holding by nil shares (6). 431,985 (nil) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Ordinary shares of 2.5p each				
Opening share capital	**14,040**	14,833	**14,040**	14,833
Share buy backs	**(37)**	(793)	**(37)**	(793)
Closing share capital	**14,003**	14,040	**14,003**	14,040

Capital Management Policies and Procedures

The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 68. This is undertaken by the Asset Allocation Committee within parameters set by the Board.

The Company does not have any external imposed capital requirements.

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

17 Reserves

Group

£000	Share Capital	Capital Reserves	Merger Reserve	Capital Redemption Reserve	Revenue Reserve	Total
Net assets at 31 Dec 2011	14,833	1,665,692	645,335	4,165	73,348	2,403,373
Dividends	-	-	-	-	(54,237)	(54,237)
Unclaimed dividends	-	-	-	-	(13)	(13)
Profit for the year	-	200,541	-	-	49,104	249,645
Own shares purchased	(793)	(112,721)	-	793	-	(112,721)
Defined benefit plan net actuarial loss	-	(357)	-	-	-	(357)
Share based payments	-	1,213	-	-	-	1,213
Net assets at 31 Dec 2012	14,040	1,754,368	645,335	4,958	68,202	2,486,903
Dividends	**-**	**-**	**-**	**-**	**(55,068)**	**(55,068)**
Unclaimed dividends	**-**	**-**	**-**	**-**	**15**	**15**
Profit for year	**-**	**400,686**	**-**	**-**	**54,885**	**455,571**
Own shares purchased	**(37)**	**(6,658)**	**-**	**37**	**-**	**(6,658)**
Defined benefit plan net actuarial loss	**-**	**(779)**	**-**	**-**	**-**	**(779)**
Share based payments	**-**	**1,402**	**-**	**-**	**-**	**1,402**
Net assets at 31 Dec 2013	**14,003**	**2,149,019**	**645,335**	**4,995**	**68,034**	**2,881,386**

Company

£000	Share Capital	Capital Reserves	Merger Reserve	Capital Redemption Reserve	Revenue Reserve	Total
Net assets at 31 Dec 2011	14,833	1,629,129	645,335	4,165	106,332	2,399,794
Dividends	-	-	-	-	(54,237)	(54,237)
Unclaimed dividends	-	-	-	-	(13)	(13)
Profit for the year	-	201,877	-	-	55,567	257,444
Own shares purchased	(793)	(112,721)	-	793	-	(112,721)
Defined benefit plan net actuarial loss	-	(357)	-	-	-	(357)
Share based payments	-	709	-	-	-	709
Net assets at 31 Dec 2012	14,040	1,718,637	645,335	4,958	107,649	2,490,619
Dividends	**-**	**-**	**-**	**-**	**(55,068)**	**(55,068)**
Unclaimed dividends	**-**	**-**	**-**	**-**	**15**	**15**
Profit for the year	**-**	**396,356**	**-**	**-**	**60,616**	**456,972**
Own shares purchased	**(37)**	**(6,658)**	**-**	**37**	**-**	**(6,658)**
Defined benefit plan net actuarial loss	**-**	**(779)**	**-**	**-**	**-**	**(779)**
Share based payments	**-**	**1,053**	**-**	**-**	**-**	**1,053**
Net assets at 31 Dec 2013	**14,003**	**2,108,609**	**645,335**	**4,995**	**113,212**	**2,886,154**

The reserves distributable by way of a dividend are £113.2m (£107.6m) which is represented by the revenue reserve. Share buy backs are funded through realised capital reserves.

18 Net Asset Value per Ordinary Share

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

	Group		Company	
£000	Dec 13	Dec 12	Dec 13	Dec 12
Equity shareholder funds	**2,881,386**	2,486,903	**2,886,154**	2,490,619
Number of shares at year end - Basic	**558,755,913**	559,808,928	**558,755,913**	559,808,928
Number of shares at year end - Diluted	**560,094,146**	561,579,146	**560,094,146**	561,579,146

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

To arrive at the basic figure the number of shares has been reduced by 1,338,233 (1,770,218) shares held by the Trustee of the Employee Benefit Trust. During the year the Trustee increased its holding by nil (6). 431,985 (nil) shares were transferred from the Employee Benefit Trust to participants in the LTIP in satisfaction of awards.

19 Segmental Reporting

The Group has identified three operating segments as strategic business units that offer different products and services. They are managed separately because of the differences in the products and services provided. They are, however, all complementary to the core business of investing in various asset classes to generate increasing value over the long term.

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

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

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

ATS bears its own direct costs.

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance based on the profit before tax. Intersegment sales and transfers are accounted for on an arm's length basis.

All operating segments operate within the United Kingdom.

	Year ended 31 December 2013					
£000	Company	ATS (continuing) operations	ATS (discontinuing) operations	ATS Total	ATI	Total
Revenue						
Investment gains	**416,062**	**-**	**-**	**-**	**-**	**416,062**
Net interest income	**105**	**1,754**	**-**	**1,754**	**64**	**1,923**
Non interest income	**89,889**	**9,176**	**252**	**9,428**	**9,088**	**108,405**
Segment revenue	**506,056**	**10,930**	**252**	**11,182**	**9,152**	**526,390**
Expenditure						
Foreign exchange gains	**15,189**	**-**	**-**	**-**	**-**	**15,189**
Depreciation and amortisation	**245**	**360**	**-**	**360**	**806**	**1,411**
Other expenses	**27,450**	**10,158**	**1,495**	**11,653**	**12,561**	**51,664**
Total expenses excluding RDR	**42,884**	**10,518**	**1,495**	**12,013**	**13,367**	**68,264**
Non recurring RDR marketing expense	**-**	**2,047**	**-**	**2,047**	**-**	**2,047**
Total expenses including RDR	**42,884**	**12,565**	**1,495**	**14,060**	**13,367**	**70,311**
Operating profit/(loss) before tax and excluding RDR expense	**463,172**	**412**	**(1,243)**	**(831)**	**(4,215)**	**458,126**
Operating profit/(loss) before tax and including RDR expense	**463,172**	**(1,635)**	**(1,243)**	**(2,878)**	**(4,215)**	**456,079**
Gain on sale of Full SIPP business	**-**	**-**	**6,668**	**6,668**	**-**	**6,668**
Segment profit/(loss) before tax	**463,172**	**(1,635)**	**5,425**	**3,790**	**(4,215)**	**462,747**

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

19 Segmental Reporting

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

Reconciliation of reportable segment revenues and profit before tax to consolidated accounts

Revenue **£000**	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Total revenues for reportable segments	**526,390**	296,758
Other revenues	**17,021**	96,540
Elimination of intersegment revenues	**(3,486)**	(1,519)
Elimination of movement in investment in subsidiaries	**(3,337)**	(66,018)
Consolidated revenue	**536,588**	325,761
Expenditure		
Total depreciation and amortisation	**1,489**	835
Other expenses	**73,297**	70,929
Consolidated expenses	**74,786**	71,764
Profit		
Total profit for reportable segments	**462,747**	254,736
Elimination of movement in investment in subsidiaries	**(945)**	(739)
Consolidated profit before tax	**461,802**	253,997

Assets & liabilities — **Year ended 31 December 2013**

£000	Company	ATS	ATI	Total
Reportable segment assets	**3,277,833**	**414,303**	**28,740**	**3,720,876**
Reportable segment liabilities	**(391,679)**	**(391,726)**	**(12,434)**	**(795,839)**
Total net assets	**2,886,154**	**22,577**	**16,306**	**2,925,037**

Assets & liabilities — **Year ended 31 December 2012**

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

Reconciliation of reportable segment assets to consolidated amounts

Revenue **£000**	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Reportable segment assets	**3,720,876**	3,074,569
Third party assets and other subsidiaries	**131,867**	137,912
Consolidated assets	**3,852,743**	3,212,481

19 Segmental Reporting

Reconciliation of reportable segment liabilities to consolidated amounts

Revenue £000	Year ended 31 December 2013	Year ended 31 December 2012
Reportable segment liabilities	**(795,839)**	(556,491)
Third party liabilities and amounts due to third party investors in subsidiary OEIC	**(175,518)**	(169,087)
Consolidated liabilities (includes current and non current liabilities)	**(971,357)**	(725,578)

20 Related Party Transactions

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

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

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

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

£000	Year ended 31 December 2013	Year ended 31 December 2012
Paid by Alliance Trust (the Company)	**19,210**	16,461
Paid to Alliance Trust (the Company)	**(13,116)**	(11,631)
	6,094	4,830
Paid by Alliance Trust Savings Limited	**15,179**	19,746
Paid to Alliance Trust Savings Limited	**(332)**	(2,134)
	14,847	17,612
Paid by Alliance Trust Investments	**13,590**	9,977
Paid to Alliance Trust Investments	**(509)**	(541)
	13,081	9,436
Paid by Alliance Trust Equity Partners (Holdings) Limited	**196**	295
Paid to Alliance Trust Equity Partners (Holdings) Limited	**(60)**	(32)
	136	263
Paid by Alliance Trust (Finance) Limited	**4,002**	8
Paid to Alliance Trust (Finance) Limited	**(4,000)**	(4)
	2	4
Paid by Alliance Trust Real Estate Partners LP	**320**	-
Paid to Alliance Trust Real Estate Partners LP	**(11)**	(6)
	309	(6)

Transactions with key management personnel

Details of the Executive and Non Executive Directors are disclosed on pages 40 and 41. Their remuneration and other compensation including pension cost is summarised below.

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

	Group		Company	
£000	Dec 13	Dec 12	Dec 13	Dec 12
Total emoluments	**3,145**	3,330	**2,265**	1,919
Payments to former key management personnel	**341**	678	**-**	71
Post retirement benefits	**84**	86	**11**	28
Equity compensation benefits	**921**	912	**669**	574
	4,491	5,006	**2,945**	2,592

21 Analysis of change in net cash/(debt)

Group

£000	Dec 11	Cash flow	Exchange gains	Dec 12	Cash flow	Exchange gains	Dec 13
Cash and cash equivalents	415,435	27,887	1,594	444,916	29,335	(1,196)	**473,055**
Bank loans	(248,768)	48,768	-	(200,000)	(180,000)	-	**(380,000)**
Net cash/(debt)	166,667	76,655	1,594	244,916	(150,665)	(1,196)	**93,055**

Company

£000	Dec 11	Cash flow	Exchange gains	Dec 12	Cash flow	Exchange gains	Dec 13
Cash and cash equivalents	72,349	(40,602)	1,589	33,336	(6,904)	(1,196)	**25,236**
Bank loans	(248,768)	48,768	-	(200,000)	(180,000)	-	**(380,000)**
Net (debt)/cash	(176,419)	8,166	1,589	(166,664)	(186,904)	(1,196)	**(354,764)**

22 Financial commitments

Financial commitments as at 31 December 2013, which have not been accrued, for the Group and the Company totalled £29,033,000 (£61,186,000).

These were in respect of uncalled subscriptions in investments structured as limited partnerships (LP) of which £29,033,000 (£61,186,000) relates to investments in our private equity portfolio. These LP commitments may be called at any time up to an agreed contractual date. The Company may choose not to fulfil individual commitments but may suffer a penalty should it do so, the terms of which vary between investments.

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

	Group and Company	
£000	Dec 13	Dec 12
< 1 year	**215**	-
1-5 years	**16,007**	3,387
5-10 years	**12,811**	57,799
	29,033	61,186

The Company has provided letters of comfort in connection with banking facilities made available to certain of its subsidiaries. The Company provided support to ATS, ATI, AT2006 and ATREP GP.

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

On 27 December 2013 ATS made a commitment to purchase gilts of £27,300,000. This commitment was settled on 6 January 2014. The Directors, due to the nature of the purchase, believed market risk not to be material.

23 Financial instruments and Risk

The Strategic Report details the Company's approach to investment risk management on pages 38 and 39 and the accounting policies on pages 79 to 83 explain the basis on which currencies and investments are valued for accounting purposes.

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

Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the use of debt and equity balances. The Group and Company's overall strategy remains unchanged from the year ended 31 December 2012.

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

23 Financial instruments and Risk

Capital Risk Management

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Debt	**(380,000)**	(200,000)	**(380,000)**	(200,000)
Cash and cash equivalents	**473,055**	444,916	**25,236**	33,336
Net cash/(debt)	**93,055**	244,916	**(354,764)**	(166,664)
Net cash/(debt) as % of net assets	**3.2%**	9.8%	**(12.3)%**	(6.7)%

Risk management policies and procedures

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

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

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

The Group has a risk management framework in place which is described in detail on pages 36 and 37. The objectives, policies and processes for managing the risks, and the methods used to measure the risks have not changed from the previous accounting year.

23.1 Market Risk

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

The Company's strategy on investment risk is outlined in our statement of investment objectives and policy on page 68.

Details of the investment portfolio at the balance sheet date are disclosed on pages 27, 28 and 29.

23.2 Currency Risk

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

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

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

Currency Exposure (Group)

	Overseas investments	**Net monetary assets**	**Total currency exposure**	**Overseas investments**	**Net monetary assets**	**Total currency exposure**
£000	**Dec 13**	**Dec 13**	**Dec 13**	**Dec 12**	**Dec 12**	**Dec 12**
US dollar	**1,168,156**	**266**	**1,168,422**	829,861	4,123	833,984
Euro	**353,747**	**856**	**354,603**	237,484	983	238,467
Yen	**67,523**	**-**	**67,523**	28,975	-	28,975
Other non-Sterling	**431,307**	**29**	**431,336**	380,355	263	380,618
	2,020,733	**1,151**	**2,021,884**	1,476,675	5,369	1,482,044

23 Financial instruments and Risk

23.2 Currency Risk

Currency Exposure (Company)

£000	Overseas investments Dec 13	Net monetary assets Dec 13	Total currency exposure Dec 13	Overseas investments Dec 12	Net monetary assets Dec 12	Total currency exposure Dec 12
US dollar	**1,168,156**	**266**	**1,168,422**	829,861	4,123	833,984
Euro	**353,747**	**856**	**354,603**	237,484	983	238,467
Yen	**67,523**	**-**	**67,523**	28,975	-	28,975
Other non-Sterling	**431,307**	**29**	**431,336**	380,355	263	380,618
	2,020,733	**1,151**	**2,021,884**	1,476,675	5,369	1,482,044

Foreign Exchange Forward Contracts

Date of contract	Settlement date	Currency	Amount ('000)	Contract rate	Fair value Dec 13 (£000)
19 December 2013	**30 June 2014**	**SGD**	**103,380**	**2.0676**	**(536)**
19 December 2013	**30 June 2014**	**USD**	**245,370**	**1.6358**	**(1,821)**

The fair value of the forward foreign exchange currency contracts are included wthin Listed Investments in the Balance Sheet.

Sensitivity analysis

If the pound had strengthened by 5% (5%) relative to all currencies, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis is performed on the same basis for the year ended 31 December 2012. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

	Group		Company	
£000	Dec 13	Dec 12	Dec 13	Dec 12
Income Statement				
Revenue return	**(2,164)**	(1,764)	**(2,164)**	(1,764)
Capital return	**(101,037)**	(73,834)	**(101,037)**	(73,834)
Net Assets	**(103,201)**	(75,598)	**(103,201)**	(75,598)

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

23.3 Interest Rate Risk

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

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

The Company has a financial services subsidiary, Alliance Trust Savings Limited, which holds client deposits.

This subsidiary has detailed risk management policies, with treasury and cash management undertaken within a framework of banking policies. These banking policies cover credit risk, counterparty exposure, capital adequacy and liquidity. The Group Asset and Liabilities Committee reviews interest rate risk on a regular basis.

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

23 Financial instruments and Risk

23.3 Interest Rate Risk

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Exposure to floating interest rates				
Cash at bank	**446,060**	417,927	**25,236**	33,336
Bank loans	**(380,000)**	(200,000)	**(380,000)**	(200,000)
	66,060	217,927	**(354,764)**	(166,664)

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

Sensitivity analysis

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income statement				
Revenue return	**791**	(700)	**255**	255
Capital return	**(633)**	167	**633**	167
Net Assets	**158**	(533)	**888**	422

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income statement				
Revenue return	**(107)**	(81)	**(254)**	(250)
Capital return	**(633)**	(167)	**(633)**	(167)
Net Assets	**(740)**	(248)	**(887)**	(417)

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Exposure to fixed interest rates investments at fair value				
Bonds	**382,743**	322,124	**-**	6,826
Treasury bills	**26,983**	26,990	**-**	-
	409,726	349,114	**-**	6,826

Sensitivity analysis – Treasury Bills

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income statement				
Revenue return	**-**	-	**-**	-
Capital return	**1**	2	**-**	-
Net Assets	**1**	2	**-**	-

23 Financial instruments and Risk

23.4 Other Price Risk

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

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

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

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 27, 28 and 29. This shows that the largest amount of equity investments by value is in North America, with significant amounts also in Asia, Europe and the UK. It also shows the concentration of investments in various sectors.

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

	Group		**Company**	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Fixed Asset Investments at Fair Value through Profit & Loss				
Listed	**3,188,951**	2,607,869	**2,594,942**	1,982,318
Credit default swaps	**(7,371)**	(3,189)	**-**	-
Interest rate swaps	**(164)**	-	**-**	-
Foreign exchange contracts	**(2,357)**	-	**(2,357)**	-
Unlisted	**138,046**	117,362	**47,241**	50,828
Investments in Collective Investment Scheme	**-**	-	**424,099**	478,444
Investments in Related and Subsidiary Companies	**-**	-	**150,536**	122,403
Investment Property	**4,525**	9,120	**4,525**	9,120
	3,321,630	2,731,162	**3,218,986**	2,643,113

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

Sensitivity analysis

93.7% (93.1%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% with all other variables remaining constant, the income statement result and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis for last year assumed a share price decrease of 10%.

	Group		**Company**	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income statement				
Revenue return	**-**	-	**-**	-
Capital return	**(318,659)**	(260,468)	**(301,669)**	(246,076)
Net Assets	**(318,659)**	(260,468)	**(301,669)**	(246,076)

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

23 Financial instruments and Risk

23.5 Credit Risk

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

This risk is managed as follows:

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

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

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

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Credit Rating				
Aaa	**-**	26,990	**-**	-
Aa1	**49,983**	15,000	**-**	-
Aa2	**70,175**	33,135	**1,170**	-
Aa3	**102,175**	70,488	**-**	5,445
A2	**128,734**	182,748	**8,204**	21,150
A3	**121,988**	116,555	**15,862**	6,741
	473,055	444,916	**25,236**	33,336
Average maturity	**36 days**	11 days	**1 day**	1 day

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
iBoxx Rating/composite broad rating				
AAA	**32,644**	57,655	**-**	-
AA	**64,951**	10,500	**-**	-
A	**78,235**	86,890	**-**	-
BBB	**190,161**	148,794	**-**	-
BB	**22,876**	17,310	**-**	-
B	**610**	-	**-**	-
CCC	**2,116**	-	**-**	-
	391,593	321,149	**-**	-

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

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

Credit default swaps are used by the Group for two key purposes. Selling protection (going long risk) will increase the exposure to a particular reference entity. In return for taking this credit risk the Group will receive a specified income over the life of the contract but is exposed to capital losses should the reference entity breach the terms of the contract in the intervening period. The reference entity may be a named company, or in the case of iTraxx indices, a basket of credit exposures. At the 31 December 2013 the gross exposure to single name credit default swaps and iTraxx indices was £Nil and £55.5m respectively (£7m and £21.5m).

23 Financial instruments and Risk

23.6 Liquidity Risk

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

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

£000	Dec 13	Expires	Dec 12	Expires
Committed multi currency facility - RBS	**-**		100,000	01/04/13
Amount drawn	**-**	-	50,000	-
Committed multi currency facility - RBS	**100,000**	**31/12/15**	100,000	01/04/13
Amount drawn	**60,000**	-	100,000	-
Committed multi currency facility - RBS	**100,000**	**31/03/14**	100,000	31/12/13
Amount drawn	**90,000**	-	-	-
Committed multi currency facility - RBS	**50,000**	**31/12/16**	-	
Amount drawn	**30,000**	-	-	-
Committed multi currency facility - Scotiabank	**100,000**	**22/12/14**	100,000	22/12/14
Amount drawn	**100,000**	-	50,000	-
Committed multi currency facility - Scotiabank	**100,000**	**28/03/15**	-	
Amount drawn	**100,000**	-	-	-
Total facilities	**450,000**		400,000	
Total drawn	**380,000**	**-**	200,000	-

All the facilities are unsecured and have covenants on the maximum level of gearing and minimum net asset value of the Company. At the reporting date the Group's financial services subsidiary, Alliance Trust Savings Limited, held client deposits of £363m (£317m).

These deposits are placed with various financial institutions as per note 23.5 above.

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

December 2013

£000	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	5+ years	Total
Credit default swaps	-	(337)	(1,038)	(4,519)	-	(5,894)
Interest rate swaps	-	-	-	(34)	(451)	(485)
	-	(337)	(1,038)	(4,553)	(451)	(6,379)

December 2012

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

23 Financial instruments and Risk

23.7 Gearing Risk

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Investments after gearing	**3,321,630**	2,731,162	**3,218,986**	2,643,113
Gearing	**(380,000)**	(200,000)	**(380,000)**	(200,000)
Investments before gearing	**2,941,630**	2,531,162	**2,838,986**	2,443,113

Sensitivity analysis

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income statement				
Revenue return	**-**	-	**-**	-
Capital return	**(38,000)**	(20,000)	**(38,000)**	(20,000)
Net Assets	**(38,000)**	(20,000)	**(38,000)**	(20,000)

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

23.8 Hierarchical Valuation of Financial Instruments

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table analyses the fair value measurements for the Group's/Company's assets and liabilities measured by the level in the fair value hierarchy in which the fair value measurement is categorised at 31 December 2013. All fair value measurements disclosed are recurring fair value measurements.

Group valuation hierarchy fair value through profit and loss

	As at 31 December 2013				As at 31 December 2012			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	**3,188,951**	**-**	**-**	**3,188,951**	2,607,869	-	-	2,607,869
Credit default swaps	**-**	**(7,371)**	**-**	**(7,371)**	-	(3,189)	-	(3,189)
Interest rate swaps	**-**	**(164)**	**-**	**(164)**	-	-	-	-
Foreign exchange contracts	**-**	**(2,357)**	**-**	**(2,357)**	-	-	-	-
Unlisted investments								
Private equity	**-**	**-**	**124,854**	**124,854**	-	-	108,435	108,435
Mineral rights	**-**	**-**	**13,192**	**13,192**	-	-	8,927	8,927
	3,188,951	**(9,892)**	**138,046**	**3,317,105**	2,607,869	(3,189)	117,362	2,722,042

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

Company valuation hierarchy fair value through profit and loss

£000	As at 31 December 2013 Level 1	Level 2	Level 3	Total	As at 31 December 2012 Level 1	Level 2	Level 3	Total
Listed investments	**3,019,041**	**-**	**-**	**3,019,041**	2,460,762	-	-	2,460,762
Foreign exchange contracts	**-**	**(2,357)**	**-**	**(2,357)**	-	-	-	-
Unlisted investments								
Private equity	**-**	**-**	**127,890**	**127,890**	-	-	111,436	111,436
Alliance Trust Savings	**-**	**-**	**26,708**	**26,708**	-	-	24,619	24,619
Alliance Trust Finance	**-**	**-**	**16,837**	**16,837**	-	-	17,761	17,761
Alliance Trust Investments	**-**	**-**	**12,780**	**12,780**	-	-	10,117	10,117
Mineral rights	**-**	**-**	**13,192**	**13,192**	-	-	8,927	8,927
Other	**-**	**-**	**370**	**370**	-	-	371	371
	3,019,041	**(2,357)**	**197,777**	**3,214,461**	2,460,762	-	173,231	2,633,993

There have been no transfers of recurring measurements during the year between Levels 1, 2 and 3.

Fair Value Assets in Level 1

The quoted market price used for financial investments held by the Group is the current bid price. These investments are included within Level 1 and comprise of equities, bonds and exchange traded derivatives.

Fair Value Assets in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates.

The following valuation techniques are relevant to the Level 2 instruments detailed above;

The fair value of credit default swaps are calculated as a function of the principle and the accrual. The principle is calculated as the present value of the future cash flows that result from the difference between the coupon of the contract and the current spread at which the contract is trading. The accrual is calculated as the coupon multiplied by the day convention, which is further multiplied by the notional value of the contract.

The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows based on changes in observable yield curves.

Fair Value Assets in Level 3

Level 3 valuations are reviewed at least annually by the Valuation Committee who are assigned responsibility by the Board of Alliance Trust PLC. The Valuation Committee considers the appropriateness of the valuation models, inputs, using the various valuation methods in accordance with the Group's valuation policy. The Committee will determine the appropriateness of any valuation of the underlying assets.

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

£000	Group Dec 13	Group Dec 12	Company Dec 13	Company Dec 12
Balance at 1 January	**117,362**	92,189	**173,231**	133,721
Net gain from financial instruments at fair value through profit or loss	**10,724**	18,333	**(3,959)**	16,291
Purchases at cost	**21,265**	25,539	**32,765**	42,284
Sales proceeds	**(8,527)**	(5,915)	**(3,577)**	(5,918)
Realised loss on sale	**(2,778)**	(12,784)	**(683)**	(13,147)
Balance at 31 December	**138,046**	117,362	**197,777**	173,231

Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £150.5m (£122.4m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association. This includes Alliance Trust Savings Limited at £26.7m (£24.6m), Alliance Trust Investments Limited at £12.8m (£10.1m) and Alliance Trust Finance Limited £16.8m (£17.8m). This represents the Directors' view of the amount for which the subsidiaries could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that the Company has any intention to sell the subsidiary business in the future. The Directors have used

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

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

The following key assumptions are relevant to the fair valuation of our investment in our subsidiary companies, and are consistent with prior years:

- Alliance Trust Savings - This is valued as a trading business. A discounted cash flow, revenue multiple and an earnings before interest tax depreciation and amortisation multiple approach have been adopted.
- Alliance Trust Investments - This is valued based on third party funds only. Given the stage of development of Alliance Trust Investments it is valued as a book of business rather than a trading business. Both a discounted cashflow and revenue multiple valuation approach have been adopted.
- Alliance Trust Finance - This is predominantly valued using the value of cash held in this entity.

The mutiples applied in valuing our subsidiaries are derived from comparable companies sourced from market data.

Mineral rights are carried at fair value and are valued in the Company's accounts at £13.2m (£8.9m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the Oklahoma Tax Commission and for non-producing properties, the Lierle US Price Report.

The table below details how an increase or decrease in the respective input variables would impact the valuation disclosed for the relevant Level 3 assets.

£000 Description	Fair Value at Dec 2013	Change in	Unobservable inputs	Input	Input sensitivity +/-	Change in valuation +/-
Alliance Trust Savings	**26,708**	Average of discounted cash flow methodology and comparable trading multiples.	DCF Discount rate	**15%**	1%	(1,000)/1,000
			Revenue multiple	**2.5**	1	3,700/(3,700)
			EBITDA multiple	**12.6**	1	200/(200)
Alliance Trust Investments	**12,780**	Average of discounted cash flow methodology and book acquisition multiples.	DCF Discount rate	**15%**	1%	100/(100)
			Revenue multiple	**2**	1	4,200/(4,200)
Mineral Rights	**13,192**	Oklahoma Tax Commission multiples and Lierle US Price report (for non-producing properties).	Revenue multiple - gas	**7**	1	900/(900)
			Revenue multiple - oil	**4**	1	700/(700)
			Revenue multiple - products/condensate	**4**	1	300/(300)
			Average bonus multiple non-producing	**1.2**	0.5	1,000/(1,000)

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For Alliance Trust Savings, an increase in the revenue and EBITDA multiple or a decrease in the discount rate would lead to an increase in the estimated value. For Alliance Trust Investments, an increase in the revenue and a decrease in the discount rate would lead to an increase in the estimated value. For Mineral rights, an increase in the revenue multiple and average bonus multiple would lead to an increase in the estimated value.

Private equity, both fund-to-fund and direct investment, are included under level 3 is valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in September 2009. Unlisted investments in private equity are stated at the valuation as determined by the Valuation Committee based on information provided by the General Partner. The General Partner's policy in valuing unlisted investments is to carry them at fair value. The General Partner will generally rely on the fund's investment manager's fair value at the last reported period rolled forward for any cashflows. However if the General Partner does not feel the manager is reflecting a fair value they will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are:

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

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). Alliance Trust PLC receives information from the General Partner on the underlying investments which is

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

subsequently reviewed by the Valuation Committee. Where Alliance Trust PLC does not feel that the valuation is appropriate, an adjustment will be made.

No interrelationships between unobservable inputs used in the above valuations of Level 3 investments have been identified.

24 Share Based Payments

The Group operates two share based payment schemes:

All Employee Share Ownership Plan ('AESOP')

Employees may receive up to £3,000 of shares annually under the terms of the AESOP. This amount is pro rated for part time employees. Individuals receive these shares free of all restrictions after a period of 5 years. For the year ended 31 December 2013 awards of £2,000 (£3,000) per person will be made. The maximum cost of all awards for the year will be £387,532 (£532,000) of which the Company will pay £139,000 (£151,000). The charge to the income statement in the year was £284,000 (£653,000) of which the Company paid £104,000 (£179,000).

Long Term Incentive Plan ('LTIP')

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

In the year ended 31 December 2013 participating employees applied a proportion of their annual cash bonuses for the year ended 31 December 2012 to purchase 106,557 (113,061) shares of Group at a price of £4.34 (£3.73) per share. Matching awards of up to 213,264 (204,131) shares and performance awards of up to 728,314 (807,804) were granted.

Matching awards and performance awards made during the year were valued at £356,000 (£328,000) and £1,216,000 (£1,064,000) respectively.

The fair value of awards granted during the year was calculated using a binomial methodology. The assumptions used were a share price of £4.30 (£3.61), share price volatility of 16% (17%) based on a long term average (3 year weekly average), dividend yield of 2.47% (2.5%), a risk free interest rate of 0.22% (0.49%) and forfeiture of Nil (Nil).

The cumulative charge to the income statement during the year for the cost of the LTIP awards referred to above was £1,402,000 (£1,213,000) for the Group and £886,000 (£709,000) for the Company. Per IFRS 2 the costs of matching and performance awards for each plan are expensed over the three year performance period.

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

Movements in options

Movements in options granted under the LTIP are as follows:

	Group December 2013		Group December 2012	
£000	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	**3,042,045**	**£0.00**	3,031,980	£0.00
Granted during year	**941,578**	**£0.00**	1,047,935	£0.00
Exercised during year	**(434,037)**	**£0.00**	-	£0.00
Forfeited during year	**(29,432)**	**£0.00**	-	£0.00
Expired during year	**(498,803)**	**£0.00**	(1,037,870)	£0.00
Outstanding at 31 December	**3,021,351**	**£0.00**	3,042,045	£0.00
Exercisable at 31 December	**Nil**	**£0.00**	Nil	£0.00

The weighted average remaining contractual life of the options outstanding at 31 December 2013 was 572 days (606 days).

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

25 Pension Scheme

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

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

Employees, other than Executive Directors, received contributions into their own Self Invested Personal Pension provided by Alliance Trust Savings Limited totalling £1,691,000 (2012:£1,619,000).

The disclosures which follow relate to the Scheme.

Participating Employers

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

Valuation and Contributions

The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 April 2012 although for the purpose of these calculations the results of the 1 April 2012 valuation have been updated on an approximate basis to 31 December 2013. Valuations are on the projected unit credit method.

The contribution made by the Participating Employer over the financial year was £1,500,000 (£1,500,000).

Risks

The Scheme typically exposes the Group to risks such as:

- Investment risk: The Fund holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long-term, any short-term volatility could cause additional funding to be required if a deficit emerges.

- Interest rate risk: The Fund's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest.

- Inflation risk: A significant proportion of the benefits under the Fund are linked to inflation. Although the Fund's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to a deficit emerging.

- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy.

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

£000	Year ended 31 December 2013	Year ended 31 December 2012
Defined benefit obligation at start of year	**30,311**	28,631
Interest cost	**1,334**	1,346
Actuarial losses	**2,848**	788
Benefits paid	**(586)**	(454)
Defined benefit obligation at end of year	**33,907**	30,311

The Group has no unfunded pension obligations.

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

£000	Year ended 31 December 2013	Year ended 31 December 2012
Fair value of assets at start of year	**34,616**	31,781
Expected return on assets	**1,543**	1,406
Actuarial gains	**1,973**	383
Contributions by employer	**1,500**	1,500
Benefits paid	**(586)**	(454)
Administration costs	**(60)**	-
Fair value of assets at end of year	**38,986**	34,616

25 Pension Scheme

Total credit recognised in income statement

£000	Year ended 31 December 2013	Year ended 31 December 2012
Interest on Scheme liabilities	**1,334**	1,346
Expected return on Scheme assets	**(1,543)**	(1,406)
Administration costs	**60**	-
Total credit	**(149)**	(60)

Gains/(Losses) recognised in statement of comprehensive income

£000	Year ended 31 December 2013	Year ended 31 December 2012
Difference between expected and actual return on the Scheme assets:		
Amount	**1,973**	383
Percentage of Scheme assets	**5%**	1%
Experience gain/(losses) arising on the Scheme liabilities:		
Amount	**(41)**	546
Percentage of present value of Scheme liabilities	**-%**	2%
Effects of changes in the financial assumptions underlying the present value of the Scheme liabilities:		
Amount	**(2,748)**	(1,334)
Percentage of present value of Scheme liabilities	**(8)%**	(4)%
Effects of changes in the demographic assumptions underlying the present value of the Scheme liabilities:		
Amount	**(59)**	-
Percentage of present value of Scheme liabilities	**-%**	-%
Total amount recognised in statement of comprehensive income:		
Amount	**(875)**	(405)
Percentage of present value of Scheme liabilities	**(3)%**	(1)%

Assets

£000	Year ended 31 December 2013	Year ended 31 December 2012	Period ended 31 December 2011
Equities	**15,813**	17,906	16,126
Bonds	**21,983**	16,474	15,440
Other	**1,190**	236	215
	38,986	**34,616**	**31,781**

The assets are held independently of the assets of the Group in funds managed by Standard Life Investments, Alliance Trust Investments and Legal & General. None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Actual return on the Scheme assets

The actual return on the Scheme assets over the year ended 31 December 2013 was a gain of 2% (gain of 1%).

25 Pension Scheme

Assumptions

%	31 December 2013	31 December 2012	31 December 2011
RPI Inflation	**3.40**	2.90	3.20
CPI Inflation	**2.50**	2.40	2.20
Rate of discount	**4.40**	4.40	4.70
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a.)	**3.30**	2.80	3.10
Allowance for revaluation of deferred pensions of CPI (subject to a maximum increase of 5% p.a.)	**2.50**	2.40	2.20

Statutory revaluation has used the Consumer Price Index (CPI) for the last three years rather than the Retail Price Index (RPI) which was previously used.

We have assumed that the long term CPI assumption is 0.9% lower than the corresponding RPI assumption. The Mortality assumptions adopted at 31 December 2013 imply the following life expectancies from age 65. The mortality assumptions follow the S1PA table, using 90% of the base table with the CMI_2012 mortality projections with improvements subject to 1% minimum to the annual approvements.

The weighted average duration of the defined benefit obligation is around 24 years.

Mortality assumptions	31 December 2013 Years	31 December 2012 Years
Male currently age 45	**24.5**	24.3
Female currently age 45	**26.9**	26.9
Male currently age 65	**23.1**	22.4
Female currently age 65	**25.4**	25.0

Sensitivities

An estimate of the sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below.

Assumption	Change in assumption Increase	Estimated impact on scheme liabilities (Decrease)/Increase	Change in assumption Decrease	Estimated impact on scheme liabilities Increase/(Decrease)
Discount rate	0.1%	(£756,000)	0.1%	£778,000
RPI	0.1%	£501,000	0.1%	(£491,000)
CPI	0.1%	£283,000	0.1%	(£280,000)
Age of member	1 year	(£920,000)	1 year	£909,000

Present values of defined benefit obligations, fair value of assets and deficit

£000	Year ended 31 December 2013	Year ended 31 December 2012	Period ended 31 December 2011
Present value defined benefit obligation	**33,907**	30,311	28,631
Fair value of Scheme assets	**38,986**	34,616	31,781
Surplus in Scheme	**5,079**	4,305	3,150

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income of the Company since adoption of IAS19 is a loss of £3,492,000 (£2,617,000).

All actuarial gains and losses are recognised immediately.

25 Pension Scheme

Best estimate of contributions to be paid to the Scheme for the year ending 31 December 2014

The scheme closed to accrual on 2 April 2011. The Company paid contributions in the year of £1,500,000 in line with the recovery plan.

Amounts for the current and previous four years

£000	Dec 13	Dec 12	Dec 11	Jan 11	Jan 10
Fair value of assets	**38,986**	34,616	31,781	29,033	22,924
Defined benefit obligation	**33,907**	30,311	28,631	28,187	27,845
Surplus/(Deficit) in scheme	**5,079**	4,305	3,150	846	(4,921)
Experience adjustment on scheme liabilities	**(41)**	546	(374)	409	255
Experience adjustment on scheme assets	**1,973**	383	575	1,733	2,019
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(2,807)**	(1,334)	(968)	935	(5,518)

26 Operating lease commitments

As at 31 December 2013 the Group and Company had total future minimum lease payments under non cancellable operating leases as follows:

	31 December 2013		31 December 2012	
£000 Group	Land and buildings	Other	Land and buildings	Other
Lease commitments due				
Within 1 year	**280**	**35**	-	-
Between 2-5 years	**-**	**31**	449	125

	31 December 2013		31 December 2012	
£000 Company	Land and buildings	Other	Land and buildings	Other
Lease commitments due				
Within 1 year	**280**	**-**	-	-
Between 2-5 years	**-**	**15**	449	20

27 Finance lease commitments

31 December 2013

£000 Company and Group	Minimum lease payments	Present value of minimum lease payments
Due within 1 year	**146**	**2**
Due in 2-5 years	**110**	**-**
	256	**2**
Less finance charges allocated to the future periods	**254**	
Present value of minimum lease payments	**2**	

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, Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh EH12 9DF.

General Enquiries

If you have an enquiry about the Company, or wish to receive a paper copy of our Annual Report, 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. You should also contact the registrars if you would like the 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.

Annual Report and Electronic Communications

We only send paper Annual Reports to shareholders who have asked us to do so. All shareholders receive notices of our meetings and information on how to access our Annual Report. Shareholders can opt to receive all notifications electronically by going to **www.alliancetrust.co.uk/ec.htm** which will provide 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.

Alliance Trust PLC currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The shares in the Trust may also be suitable for institutional investors 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 Conduct Authority (FCA) 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 FCA.

Annual General Meeting

The 126th Annual General Meeting of the Company will be held at 11.00am on Thursday 1 May 2014 at the Gardyne Theatre, Gardyne Road, Dundee DD5 1NY. 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 2014 are on or around:

- 30 June 2014
- 30 September 2014
- 31 December 2014
- 31 March 2015
- 30 June 2015 (Special Dividend)

Investor forums

We are pleased to announce that we will be holding two investor presentations during 2014:

Date	Venue
1 May 2014	Gardyne Theatre, Dundee, following the Annual General Meeting
30 September 2014	Victoria Park Plaza, Victoria, London

Details of these and future events can be found at www.alliancetrust.co.uk/events.

Company Financial Performance

An eight 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 an eight year record. Our intention is over time to extend this to a 10 year record.

Eight year record

		Year ended 31 January				As at	As at	As at
Assets £m	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2013**
Total assets	2,844	2,894	2,211	2,704	3,268	2,676	2,702	3,478
Loans	0	(159)	(50)	(160)	(339)	(249)	(200)	(380)
Net assets	2,832	2,699	2,123	2,513	2,895	2,400	2,491	2,886
Net asset value								
NAV per share	421.5p	402.3p	316.8p	377.7p	439.0p	405.8p	444.9p	516.5p
NAV return on 100p – 8 years*								141.7p
Share price								
Mid-market price per share	365.5p	338.0p	268.0p	313.0p	364.0p	342.8p	375.3p	450.1p
Share price High	380.7p	386.2p	353.7p	337.0p	377.9p	392.7p	383.5p	464.2p
Share price Low	316.2p	321.2p	218.0p	233.0p	293.5p	310.2p	337.0p	375.3p
Total shareholder return on 100p – 8 years*								146.8p
Gearing/net cash (%)								
Gearing	-	5%	-	5%	11%	7%	7%	12%
Net cash	7%	-	11%	-	-	-	-	-

		Year ended 31 January				11 months to	Year ended	Year ended
Revenue	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2013**
Profit after tax	£52.5m	£61.5m	£69.5m	£61.1m	£63.8m	£61.9m	£55.6m	£60.6m
Earnings per share#	8.66p	9.17p	10.37p	9.14p	9.67p	9.87p	9.74p	10.83p
Dividends per share	7.575p	7.90p	8.00p	8.15p	8.395p	9.00p	9.27p	9.55p
Special Dividend	-	-	0.50p	-	-	-	0.36p	1.28p

Performance		As at 31 January				As at	As at	As at
(rebased at 31 Jan 2007)	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2013**
NAV per share	100	95	75	90	104	96	106	123
Mid-market price per share	100	92	73	86	100	94	103	123
Earnings per share	100	106	120	106	112	117	112	125
Dividends per share (excluding special)	100	104	106	108	111	119	122	126

Cost of running		Year ended 31 January				11 months to	Year ended	Year ended
the Company	**2007**	**2008**	**2009**	**2010**	**2011**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2013**
Administrative Expenses	£10.1m	£15.0m	£16.8m	£16.0m	£17.0m	£16.0m	£18.7m	£21.5m
Ongoing charges (excluding Capital Incentives***)	0.36%	0.42%	0.60%	0.64%	0.53%	0.56%**	0.67%	0.75%
Capital Incentives	0.02%	0.03%	0.07%	0.05%	0.07%	0.04%	0.04%	0.05%
Ongoing charges (including Capital Incentives***)	0.38%	0.45%	0.67%	0.69%	0.60%	0.60%**	0.71%	0.80%

* Source: Morningstar UK Ltd

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

*** The AIC's recommended methodology for the calculation of an Ongoing Charges figure states that for self managed companies costs relating to compensation schemes which are linked directly to investment performance should be excluded from the calculation of the principal Ongoing Charges figure.

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