Financial Statements

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Consolidated income statement for the year ended 31 December 2012

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

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

Earnings per share from continuing operations attributable to equity holders of the parent	8						
Basic (p per share)		**8.61**	**35.17**	**43.78**	8.91	(39.66)	(30.75)
Diluted (p per share)		**8.58**	**35.06**	**43.64**	8.89	(39.66)	(30.77)

Consolidated statement of comprehensive income

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

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

Company income statement for the year ended 31 December 2012

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

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

Earnings per share from continuing operations attributable to equity shareholders	8						
Basic (p per share)		**9.74**	**35.40**	**45.14**	9.87	(41.06)	(31.19)
Diluted (p per share)		**9.71**	**35.29**	**45.00**	9.84	(41.06)	(31.22)

Company statement of comprehensive income

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

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

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

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

Balance sheet as at 31 December 2012

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

All net assets are attributable to equity holders of the parent

Net Asset Value per ordinary share attributable to equity holders of the parent	18				
Basic (£)		**£4.44**	£4.06	**£4.45**	£4.06
Diluted (£)		**£4.43**	£4.05	**£4.44**	£4.04

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2013.
They were signed on its behalf by:

Karin Forseke
Chair

Katherine Garrett-Cox
Chief Executive

Cash flow statement for the year ended 31 December 2012

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

Notes

1. General Information

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

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

Critical accounting estimates and judgements

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

Valuation of unlisted investments

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

Defined benefit scheme

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

2. Summary of Significant Accounting Policies

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

Basis of accounting

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

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

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

Adopted IFRSs

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

IFRSs not yet applied

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

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

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

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

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

Basis of consolidation

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

Presentation of income statement

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

Revenue recognition

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

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

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

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

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

Underwriting commission is recognised as earned.

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

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

Foreign currencies

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

Expenses

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

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

Operating leases

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

Share based payments

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

Investment incentive plan

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

Pension costs

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

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

Financial instruments

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

Investments

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

Cash and cash equivalents

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

Other receivables

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

Office premises

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

Other fixed assets

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

Intangible assets

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

Impairment

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

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

Financial liabilities and equity

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

Bank borrowings

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

Other payables

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

Buy backs and cancellation of shares

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

Realised and unrealised capital reserves

A description of each of the reserves follows:

Capital reserve

The following are recorded through this reserve:

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

Merger reserve

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

Capital redemption reserve

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

Revenue reserve

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

3 Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

5 Finance costs

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

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

6 Taxation

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

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

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

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

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

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

7 Dividends

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

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

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

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

8 Earnings per share

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

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

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

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

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

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

9 Non-current assets

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

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

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

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

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

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

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

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

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

December 2012		**Group**		
£000	**Listed Investments**	**Investment Property**	**Unlisted Investments**	**Total**
Opening book cost as at 1 January 2012	**2,310,174**	**17,135**	**112,712**	**2,440,021**
Opening unrealised appreciation/(depreciation)	**223,252**	**(7,360)**	**(20,523)**	**195,369**
Opening valuation as at 1 January 2012	**2,533,426**	**9,775**	**92,189**	**2,635,390**
Movements in the year				
Purchases at cost	**1,511,388**	**220**	**25,539**	**1,537,147**
Sales – proceeds	**(1,655,898)**	**(63)**	**(5,915)**	**(1,661,876)**
– realised gains/(losses) on sales	**150,226**	**-**	**(12,783)**	**137,443**
Increase/(Decrease) in appreciation on assets held	**65,538**	**(812)**	**18,332**	**83,058**
Closing valuation as at 31 December 2012	**2,604,680**	**9,120**	**117,362**	**2,731,162**
Closing book cost	**2,315,889**	**17,293**	**119,552**	**2,452,734**
Closing appreciation/(depreciation) on assets held	**288,791**	**(8,173)**	**(2,190)**	**278,428**
Closing valuation as at 31 December 2012	**2,604,680**	**9,120**	**117,362**	**2,731,162**

December 2011			**Company**		
£000	**Listed Investments**	**Investment Property**	**Related and Subsidiary Companies**	**Unlisted Investments**	**Total**
Opening book cost as at 1 February 2011	2,417,976	44,381	133,260	78,312	2,673,929
Opening unrealised appreciation/(depreciation)	585,424	(15,866)	(34,484)	(7,849)	527,225
Opening valuation as at 1 February 2011	3,003,400	28,515	98,776	70,463	3,201,154
Movements in the period					
Purchases at cost*	1,226,766	-	37,160	7,476	1,271,402
Sales – proceeds*	(1,565,165)	(18,500)	(46,658)	(17,058)	(1,647,381)
– realised gains/(losses) on sales	123,486	(8,746)	1,797	(347)	116,190
(Decrease)/Increase in appreciation on assets held	(361,632)	8,506	(12,846)	(5,042)	(371,014)
Closing valuation as at 31 December 2011	2,426,855	9,775	78,229	55,492	2,570,351
Closing book cost	2,203,063	17,135	125,558	68,383	2,414,139
Closing appreciation/(depreciation) on assets held	223,792	(7,360)	(47,329)	(12,891)	156,212
Closing valuation as at 31 December 2011	2,426,855	9,775	78,229	55,492	2,570,351

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

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

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

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

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

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

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

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

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

10 Subsidiaries

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

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

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

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

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

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

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

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

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

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

11 Intangible assets

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

Amortisation is included within administrative expenses in the income statement.

12 Deferred tax

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

Group

£000	**Retirement Benefit Obligations**	**Accelerated Tax Depreciation**	**Tax Losses**	**Foreign Tax**	**Other**	**Total**
At 31 January 2011 – asset/(liability)	104	(133)	-	(152)	60	(121)
Income statement – DT credit	46	13	744	152	131	1,086
Income statement – DT (charge)	(1,386)	-	(27)	-	(1)	(1,414)
Equity – DT credit	449	-	-	-	-	449
At 31 December 2011 – (liability)/asset	**(787)**	**(120)**	**717**	-	**190**	-
Income statement – DT credit	**108**	**120**	**331**	-	-	**559**
Income statement – DT (charge)	**(359)**	-	**(58)**	-	**(190)**	**(607)**
Equity – DT credit	**48**	-	-	-	-	**48**
At 31 December 2012 – (liability)/asset	**(990)**	-	**990**	-	-	-

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

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

Company

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

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

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

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

13 Outstanding settlements and other receivables

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

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

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

14 Outstanding settlements and other payables

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

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

15 Bank loans

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

16 Share capital

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

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

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

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

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

Capital Management Policies and Procedures

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

The Company does not have any externally imposed capital requirements.

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

17 Reserves

Group

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

Company

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

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

18 Net Asset Value per Ordinary Share

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

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

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

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

19 Segmental Reporting

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

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

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

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

ATS bears its own direct costs.

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Alliance Trust PLC evaluates performance based on the profit before tax. Intersegment sales and transfers are accounted for on an arm's length basis.

All operating segments operate within the United Kingdom.

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

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

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

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

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

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

Assets and liabilities

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

Assets and liabilities

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

Reconciliation of reportable segment assets to consolidated amounts

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

Reconciliation of reportable segment liabilities to consolidated amounts

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

*Consolidated liabilities include current and non current liabilities.

20 Related Party Transactions

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

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

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

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

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

Transactions with key management personnel

Details of the Executive and Non Executive Directors are disclosed in the Governance section of the report on pages 30 and 32. Their remuneration and other compensation including pension cost is summarised below.

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

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

21 Analysis of change in net cash/(debt)

Group

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

Company

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

22 Financial commitments

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

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

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

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

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

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

23 Financial instruments and Risk

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

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

Capital Risk Management

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

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

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

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

Risk management policies and procedures

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

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

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

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

23.1 Market Risk

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

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

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

23.2 Currency Risk

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

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

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

Currency Exposure (Group)

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

Currency Exposure (Company)

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

Sensitivity analysis

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

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

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

23.3 Interest Rate Risk

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

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

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

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

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

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

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

Sensitivity analysis

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

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

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

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

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

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

Sensitivity analysis – Treasury Bills

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

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

23.4 Other price risk

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

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

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

Concentration of exposure to other price risks

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

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

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

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

Sensitivity analysis

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

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

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

23.5 Credit Risk

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

This risk is managed as follows:

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

The Company and ATS also minimise credit risk through banking 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 cash and cash equivalents exposed to credit risk were as follows:

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

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

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

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

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

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

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

23.6 Liquidity Risk

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

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

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

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

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

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

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

23.7 Gearing Risk

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

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

Sensitivity analysis

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

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

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

23.8 Hierarchical valuation of financial instruments

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group valuation hierarchy fair value through profit and loss

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

Company valuation hierarchy fair value through profit and loss

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

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

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

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

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

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

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

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

24 Share Based Payments

The Group operates two share based payment schemes:

All Employee Share Ownership Plan ('AESOP')

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

Long Term Incentive Plan ('LTIP')

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

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

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

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

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

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

Movements in options

Movements in options granted under the LTIP are as follows:

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

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

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

No options vested during the year or previous period.

25 Pension Scheme

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

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

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

The disclosures which follow relate to the Scheme.

Participating Employers

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

Valuation and Contributions

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

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

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

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

The Group has no unfunded pension obligations.

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

£000	Year ended 31 December 2012	Period ended 31 December 2011
Fair value of assets at start of year/period	31,781	29,033
Expected return on assets	1,406	1,629
Actuarial gains	383	575
Contributions by employer	1,500	1,500
Benefits paid	(454)	(956)
Fair value of assets at end of year/period	34,616	31,781

Total (credit) recognised in income statement

£000	Year ended 31 December 2012	Period ended 31 December 2011
Current service cost	-	92
Interest on scheme liabilities	1,346	1,444
Expected return on scheme assets	(1,406)	(1,629)
Settlements or curtailments	-	(1,478)
Total credit	(60)	(1,571)

Gains recognised in statement of comprehensive income

£000	Year ended 31 December 2012	Period ended 31 December 2011
Difference between expected and actual return on scheme assets:		
Amount	383	575
Percentage of scheme assets	1%	2%

Experience gains/(losses) arising on the scheme liabilities:		
Amount	**546**	(374)
Percentage of present value of scheme liabilities	**2%**	(1%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount	**(1,334)**	(968)
Percentage of present value of scheme liabilities	**(4%)**	(3%)
Total amount recognised in statement of comprehensive income:		
Amount	**(405)**	(767)
Percentage of present value of scheme liabilities	**(1%)**	(3%)

Assets

£000	31 December 2012	31 December 2011	31 January 2011
Equities	**17,906**	16,126	17,192
Bonds	**16,474**	15,440	11,703
Other	**236**	215	138
	34,616	31,781	29,033

The assets are held independently of the assets of the Group in funds managed by Standard Life Investments and Legal and General.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Expected long-term rates of return

The expected long-term return on cash is equal to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long-dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date. The expected long-term rates of return are as follows:

%	31 December 2012	31 December 2011	31 January 2011
Equities	**5.90**	5.70	7.20
Bonds	**4.40**	3.00	4.50
Other	**0.50**	0.50	0.50
Overall for scheme	**4.48**	4.35	6.08

Actual return on scheme assets

The actual return on the scheme assets over the year ended 31 December 2012 was a gain of 1% (gain of 2%).

Assumptions

%	31 December 2012	31 December 2011	31 January 2011
RPI Inflation	**2.90**	3.20	3.70
CPI Inflation	**2.40**	2.20	3.20
Salary increases	-	-	4.70
Rate of discount	**4.40**	4.70	5.60
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a.)	**2.80**	3.10	3.70
Allowance for revaluation of deferred pensions of CPI (subject to a maximum increase of 5% p.a.)	**2.40**	2.20	3.20

Statutory revaluation has used the Consumer Price Index (CPI) for the last two years rather than the Retail Price Index (RPI) which was used previously.

We have assumed that the long term CPI assumption is 0.5% lower than the corresponding RPI assumption.

The Mortality assumptions adopted at 31 December 2012 imply the following life expectancies from age 65. The mortality assumptions follow the S1PA table, using 90% of the base table with medium chart mortality improvements subject to a 1% minimum to the annual approvements.

Mortality assumptions	31 December 2012 Years	31 December 2011 Years
Male currently age 45	**24.3**	24.3
Female currently age 45	**26.9**	26.9
Male currently age 65	**22.4**	22.4
Female currently age 65	**25.0**	25.0

Sensitivities

An estimate of the sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below.

Assumption	Change in assumption Increase	Estimated impact on scheme liabilities Increase/(Decrease)	Change in assumption Decrease	Estimated impact on scheme liabilities (Decrease)/Increase
Pension in payment increases	0.1%	£448,000	0.1%	(£438,000)
Revaluation of deferred pension increases	0.1%	£261,000	0.1%	(£256,000)
Discount rate	0.1%	(£686,000)	0.1%	£708,000
Life expectancy	1 year	£805,000	1 year	(£812,000)

Present values of defined benefit obligations, fair value of assets and deficit

£000	Year ended 31 December 2012	Period ended 31 December 2011	Year ended 31 January 2011
Present value defined benefit obligation	**30,311**	28,631	28,187
Fair value of scheme assets	**34,616**	31,781	29,033
Surplus in scheme	**4,305**	3,150	846

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income of the Company since adoption of IAS19 is a loss of £2,617,000 (£2,212,000).

All actuarial gains and losses are recognised immediately.

Best estimate of contributions to be paid to scheme for the year ending 31 December 2013

The scheme closed to accrual on 2 April 2011. The company paid contributions in the year of £1,500,000 in line with the recovery plan.

Amounts for the current and previous four years

£000	Dec 12	Dec 11	Jan 11	Jan 10	Jan 09
Fair value of assets	**34,616**	31,781	29,033	22,924	19,326
Defined benefit obligation	**30,311**	28,631	28,187	27,845	20,891
Surplus/(Deficit) in scheme	**4,305**	3,150	846	(4,921)	(1,565)
Experience adjustment on scheme liabilities	**546**	(374)	409	255	(494)
Experience adjustment on scheme assets	**383**	575	1,733	2,019	(3,343)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(1,334)**	(968)	935	(5,518)	555

26 Operating lease commitments

As at 31 December 2012 the Group and Company had total future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2012		31 December 2011	
£000 **Group**	**Land and buildings**	**Other**	**Land and buildings**	**Other**
Lease commitments due				
Within 1 year	-	-	-	-
Between 2-5 years	**449**	**125**	591	206
After 5 years	-	-	-	-

	31 December 2012		31 December 2011	
£000 **Company**	**Land and buildings**	**Other**	**Land and buildings**	**Other**
Lease commitments due				
Within 1 year	-	-	-	-
Between 2-5 years	**449**	**20**	591	21
After 5 years	-	-	-	-

27 Finance lease commitments

£000 **Company and Group**	**Minimum lease payments**	**Present value of minimum lease payments**
Due within 1 year	**147**	**4**
Due in 2-5 years	**256**	**2**
Due in more than 5 years	-	-
	403	**6**
Less finance charges allocated to the future periods	**(397)**	
Present value of minimum lease payments	**6**	