Directors

● Member of the Audit Committee

■ Member of the Remuneration Committee

▲ Member of the Nomination Committee

❐ Member of the Board Risk Committee

Chair

Non-executive Directors

1 **Karin Forseke** ▲
Chair
Joined the Board 2012

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

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

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

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

2 **John Hylands** ● ▲ ❐
Director
Joined the Board 2008
Chairman, Audit Committee

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

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

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

3 **Susan Noble** ● ■ ❐
Director
Joined the Board 2012
Chair, Board Risk Committee

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

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

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

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

Executive Directors

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

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

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

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

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

5 Win Robbins ● ■
Director
Joined the Board 2013

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

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

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

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

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

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

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

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

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

7 Alan Trotter
Finance Director
Joined the Board 2010

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

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

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

Corporate Governance

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

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

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

Karin Forseke, Chair

The Board

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

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

Board Structure

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

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

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

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

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

As part of our review of governance arrangements during the year we decided that we wished to strengthen governance by introducing greater separation between the roles and responsibilities of the various Boards and Committees. This meant a move away from the attendance of the Non-Executive Directors of the Company at all meetings of the boards of the subsidiary companies, although they will still do so on a bi-annual basis. It was decided that the boards of the subsidiaries would comprise only management and that the main Board Committees would become smaller in order to provide greater challenge and more focus. Before making this change we put in place arrangements to ensure that the Board of the Company must endorse all decisions on strategic matters or where there could be a group impact and that there was regular reporting of the subsidiaries' boards' activities to the Board of the Company. This is achieved through the inclusion of the minutes of their board meetings and relevant management information in the Board papers together with regular presentations from the management of each of the subsidiaries on progress against their business plans and objectives.

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

First Line:	The various operational and management committees
Second Line:	Risk, Compliance, Company Secretarial/Legal and Finance
Third Line:	Internal Audit and Audit Committee

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

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

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

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

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

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

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

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

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

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

Board Meetings

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

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

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

Corporate Governance

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

Board Committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Audit Committee

The members are shown on pages 28 and 29.

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

Remuneration Committee

The members are shown on pages 28 and 29.

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

Nomination Committee

The members are shown on pages 28 and 29.

Board Risk Committee

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

Other Committees

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

Asset Allocation Committee

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

Executive Committee

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

Risk Management Committee (formerly the Risk Committee)

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

Authorisation Committee

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

Nomination Committee

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

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

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

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

Board and Committee evaluation

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

The evaluation was interview based and focused on the Board and how its committees support it. Despite a period of substantial change in both the composition and the governance structure of the Board, Independent Audit's overall assessment was that the Board had made good progress in 2012 and did not suggest any substantial changes nor identify any high priority issues to be addressed. A number of actions were identified that could further improve the effectiveness of the Board including the wider use of scenario planning in its consideration of strategy and risk; making more use of the Non-Executive Directors outside of board meetings and a refinement of the structure of board reports to provide greater clarity of purpose.

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

Re-election of Directors

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

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

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

Directors' and Officers' Indemnification

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

Director Development

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

Conflicts of Interest

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

Corporate Governance

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

Access to advice

All Directors have access to independent professional advice if necessary.

Major Shareholders

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

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

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

Alliance Trust Savings Nominees Limited	143,538,191	25.6%

Payment of Creditors

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

Relationship with Shareholders

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

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

Relationship with third parties

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

Investment Trust Status

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

Share Capital and Waiver of Dividends

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

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

There are no preference shares or shares held in treasury.

Agreement in respect of voting rights

There are no agreements in respect of voting rights.

Share Buy Back Authority

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

Annual General Meeting

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

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

Board

Q1	Q2	Q3	Q4
• Appointment of new Chair • Presentation by Corporate Brokers • Reviewed Share Buyback Authority • Approved a change of Index provider for performance reference point from FTSE to MSCI • Board Performance Evaluation • Reviewed ATS Business • Reviewed Banking Facilities • Presentations by European and North American portfolio managers	• Approved changes to Group governance structure • Considered Internal Capital Adequacy • Approved outsourcing investment operations activities • Reviewed business plans of subsidiaries. • Considered the effectiveness of Discount Policy • Approved a new investment approach and structure	• Appointment of two new Non-Executive Directors • Considered the acquisition of Aviva SRI funds • Considered the Pension Scheme triennial valuation • Presentation on Global Economic 3 year scenario • Strategic Review including subsidiaries, business planning, people issues and investor sentiment • Considered Internal Capital Adequacy • Approved the sale of part of ATS pension business	• Brand Review • Alliance Trust Investments Business presentation • Investment Presentation by Head of Performance and Risk and Head of Fixed Income • Approved Budget and 5 Year Business Plan • Approved revised Risk Appetite • Approved revised Corporate Governance framework • Approved the formation of Board Risk Committee

Audit

Q1	Q2	Q3	Q4
• Approved pension scheme assumptions • Reviewed the effectiveness of Internal Controls • Approved Audit Charter • Approved Internal Audit and Compliance Monitoring Plan • Received Annual Anti-Money Laundering Reporting Report • Received Auditor's report • Considered the Accounts • Reviewed the Whistleblowing Policy • Separate Private Sessions with Internal and External Auditor	• Considered accelerated year end reporting	• Received Auditor's report • Reviewed Interim Results • Approved External Audit plan • Reviewed operation of Derivatives Procedures	• Considered valuation methodology and accounting treatments • Considered Internal Audit and Compliance Monitoring Plan for 2013

Remuneration

Q1	Q2	Q3	Q4
• Reviewed Executive Directors' and other senior managers' remuneration arrangements • Considered the impact of the BIS proposals on executive remuneration and governance • Approved bonus payments for Executive Directors • Approved Remuneration section of the Accounts • Approved Incentives for investment managers	• Approved Executive Directors' targets and objectives • Approved granting of awards under LTIP	• Considered impact of AIFM Directive • Approved changes to equity annual incentive plan for investment managers	• Approved the Company's Pillar 3 disclosures • Approved incentive arrangements for investment managers in relation to third party assets

Nomination

Q1	Q2	Q3	Q4
• Re-Election of Directors • Board Composition	• Non-Executive Director Appointment	• Non Executive Directors succession planning • Non-Executive Director Appointment	

Remuneration Report

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

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

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

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

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

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

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

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

Alastair Kerr
Chairman of the Remuneration Committee

Principle

Base Salary

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

Variable Pay

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

Variable pay is based upon a multi-year framework.

Variable pay comprises:

- Annual Bonus

  A formal performance management process is in place, which is based on the principle of driving high performance and aligned to the Company's key performance indicators (KPIs).

- Long Term Incentives

  Long Term Incentives are designed to closely align the interests of the Executive Directors with those of the shareholders.

Pensions and Benefits

Benefits offered will be targeted at median for comparable role.

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

Risk Adjusted Remuneration

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

Termination Arrangements

Termination arrangements should not reward failure.

Our Approach	Outcome/changes in 2012
Reviewed annually with levels set with regard to responsibilities, level of experience and performance outturns.	No salary increases for Executive Directors in 2012, nor any proposed for 2013.
The Remuneration Committee regularly reviews the proportion of variable pay to annual salary and is satisfied that it is appropriate. The Company operates a combination of annual and three year performance conditions. A proportion of annual awards must be deferred for three years.	Annual review in 2012. No changes identified. Executive Directors will defer at least 50% of their 2012 annual bonus into Alliance Trust shares. For investment professionals all deferrals are made into Alliance Trust shares or funds in the Company fund range and the option to defer into cash has been removed.
Annual bonuses for Executive Directors and Senior Managers are based on corporate and individual objectives and aligned to Corporate strategic objectives. Executive Directors are assessed 50% on Corporate KPIs and 50% on business and personal objectives.	Annual bonuses will be payable in respect of 2012 and will refect strong delivery of performance in both business and financial targets set.
Full details on the operation of the LTIP can be found on page 40.	No change to target, which was approved by shareholders in 2011.
The key elements of the benefits package for Executive Directors are generally the same as all other employees and are in line with normal market practice. Employer contribution of up to 17% of basic salary to a defined contribution scheme is available to all staff. The Company operates an HMRC approved All Employee Share Ownership Plan (AESOP). All staff receive up to £3,000 of shares in each year and can elect to purchase up to £1,500 of partnership shares from pre-tax income each tax year.	No change in 2012. Since February 2011, Executive Directors receive a cash allowance in lieu of pension contribution. 25% in respect of the CEO and 20% for the Finance Director. These allowances are taken into account in setting total remuneration. From May 2013 the Company will match the purchase of shares up to £20 per month to encourage greater employee share ownership.
The remuneration policy incorporates the statement of risk appetite and risk is included specifically within short and long term incentives.	No change in 2012.
The compensation payment provisions in service contracts are based on salary and benefits only and include mitigation provisions. A clawback provision was introduced into the LTIP in 2011.	No change in 2012.

Remuneration Report

Remuneration Committee

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

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

Membership

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

Attendance

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

Independent Advice

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

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

Key Responsibilities of the Committee

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

Total Pay Opportunities

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

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

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

Total Pay Opportunities

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

(1) Includes Salary, Car Allowance, Taxable Benefits and Other Payments.
(2) Refers to the Annual Bonus awarded in respect of the period but paid after the period end.
(3) The share price is the average price in the final quarter of the performance period.

Annual Bonus for 2012 Performance

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

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

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

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

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

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

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

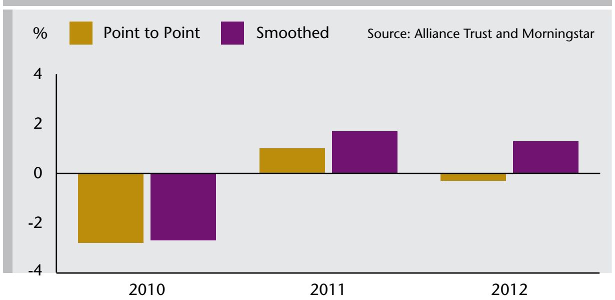
The Committee concluded that Katherine Garrett-Cox had successfully led a number of transformational change projects, including the restructuring of the Global investment team, the acquisition of the Aviva SRI business and the completion of the integration of the SRI team. The Committee also considered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

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

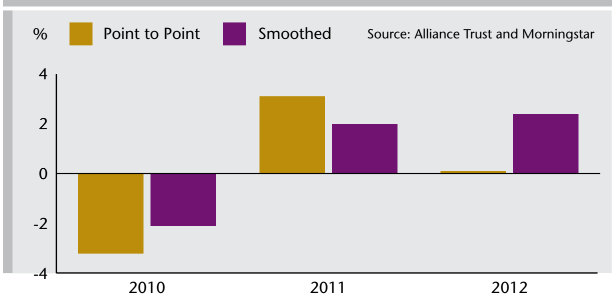
The Committee concluded that Alan Trotter had played a pivotal role in strategic projects throughout 2012, which had resulted in significant developments in ATS and ATI. He also demonstrated sound commercial leadership and had embedded strong risk management practices across the overall Group. The Committee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

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

Relative NAV Total Return vs Global Growth sector



Relative Total Shareholder Return vs Global Growth sector



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

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

Remuneration Report

Long Term Incentive Plans

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

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

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

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

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

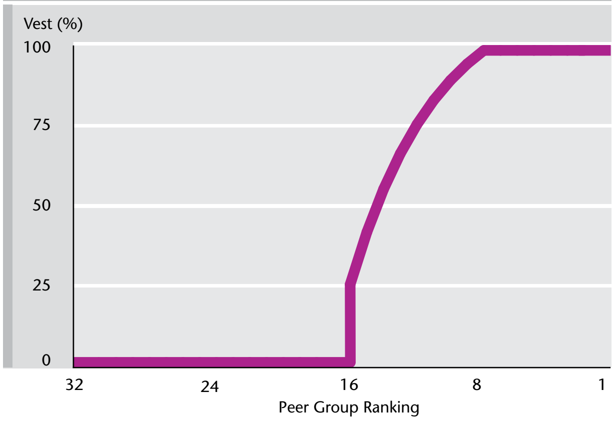
The current measure for Executive Directors, as approved by the shareholders in 2011, is based on a combination of two separate performance measures – one relating to growth in NAV and another to TSR – each of which will determine the extent to which 50% of an award vests. Under these conditions, the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

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

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

* Based on a vesting curve shown opposite

LTIP awards (from 2011 onwards)



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

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

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

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

Executive Directors' Service Contracts

The Executive Directors have service contracts which may be terminated on twelve months notice from the Company or six months notice from the Director. The contracts contain express mitigation provisions should their contracts be terminated. The mitigation provisions are structured to provide monthly payments, during the notice period against which any income received during the period is offset. The monthly payments would be based on current salary, pension contributions and benefits. Service contracts do not contain a default normal retirement age.

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

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

Other Directorships

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

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

Annual Salary

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

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

Summary Table of Salary and Benefits

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

[1] This is the bonus payable in respect of period ending 31 December 2012 and was paid after the period end.
[2] These cover healthcare and life assurance.
[3] Payments in lieu of pension contributions and overnight accommodation allowance. In the case of Robert Burgess this figure includes payments for loss of office. In the case of Alan Trotter this includes the cost of his relocation.

Remuneration Report

Remuneration Code disclosures

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

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

Directors' Shareholdings

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

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

* Unaudited

Non-Executive Directors

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

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

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

Additional fees are paid for service on committees as follows:

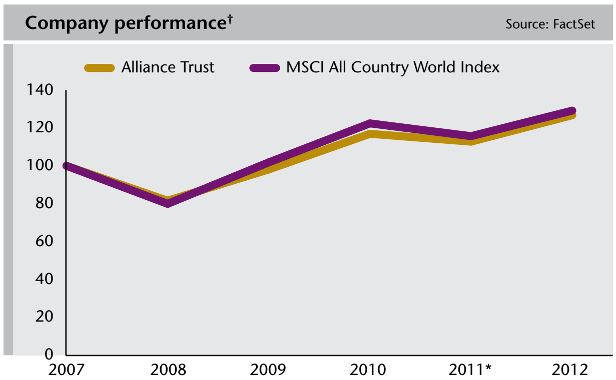
Membership of Audit Committee	£3,000
Membership of Remuneration Committee	£3,000
Membership of Board Risk Committee*	£3,000
Chair of Remuneration Committee	£7,500 (from 1 August 2012)
Chair of Audit Committee	£11,000 (from 1 August 2012)
Senior Independent Director	£5,000 (from 1 August 2012)
Chair of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

* No payments made in 2012

Company performance graph

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

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



* 11 months January to December
† Rebased to 100 at 31 January 2007

Audit Statement

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

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

Alastair Kerr
Chairman of the Remuneration Committee
11 March 2013

Long Term Incentive Plan Awards

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

Katherine Garrett-Cox

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

Alan Trotter

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

Robert Burgess

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

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

Financial Performance

Financial year end

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

Consolidated Results

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

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

Company Total Return

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

Company Revenue Performance

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

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

Company Capital Performance

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

Company Expenses

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

Ongoing Charges Calculation

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

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

Dividend

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

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

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

Subsidiary Businesses

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

Borrowing Facilities

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

Accountability and Audit

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

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

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

John Hylands
Chairman of the Audit Committee

Directors' responsibilities statement

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

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

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

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

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

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

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

Role of the Audit Committee

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

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

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

Accountability and Audit

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

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

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

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

Internal Control

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

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

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

The Board is responsible for the Group's risk management and internal control systems and regularly reviews their effectiveness, including all material financial, operational and compliance controls. The Board has also performed an assessment for the purpose of this annual report, which considered all significant aspects of risk management and internal control arising during the period of the report, including the work of the Risk, Compliance and Internal Audit functions.

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

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

Internal control over financial reporting

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

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

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

Independence of Auditor

During 2010 the Board carried out a tender exercise for the role of Auditor. This involved a rigorous selection process during which the Company sought submissions from all of the major audit firms. The Audit Committee considered submissions made and received presentations from the short listed firms. After careful consideration the Committee decided that it would be appropriate to change auditor and recommended the appointment of Deloitte LLP to the Board who in turn recommended their appointment to the members at the 2011 AGM. Deloitte LLP was subsequently reappointed at the 2012 AGM and are proposed for reappointment in 2013. The recommendation for reappointment is not automatic. In the course of the year the chairman of the Committee has met with the Auditor on a number occasions outwith the formal structure of Committee meetings. The Committee has considered the performance of the Auditor and is satisfied with the rigour that they apply to the audit process and have recommended the reappointment of Deloitte LLP for a further year.

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

Disclosure of Information to Auditor

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

Going Concern

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

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

Solvency is concerned with our ability to meet our liabilities in full. This involves managing our capital by maintaining a business model which is capable of delivering over time a continuing economic return to our shareholders whilst absorbing the impact of any risks which crystallise. As at 31 December 2012 the Group's total net assets were £2.5bn. Our investment policy restricts gearing to 30% of net assets at any given time (6.6% at 31 December 2012).

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

Report of Directors and Responsibility Statement

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

We confirm that to the best of our knowledge:

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

Karin Forseke
Chair

11 March 2013

Katherine Garrett-Cox
Chief Executive

11 March 2013

Independent Auditor's Report

TO THE MEMBERS OF ALLIANCE TRUST PLC

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

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

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

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

Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

11 March 2013