Financial statements

Consolidated income statement for the year ended 31 December 2013

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

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

	Notes	Year to December 2013 Revenue	Year to December 2013 Capital	Year to December 2013 Total	Year to December 2012 Revenue	Year to December 2012 Capital	Year to December 2012 Total
Earnings per share attributable to equity holders of the parent	8						
Basic (p per share)		**9.80**	**71.58**	**81.38**	8.61	35.17	43.78
Diluted (p per share)		**9.78**	**71.37**	**81.15**	8.58	35.06	43.64

Consolidated statement of comprehensive income

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

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

Company income statement for the year ended 31 December 2013

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

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

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

Company statement of comprehensive income

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

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

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

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

Balance sheet as at 31 December 2013

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

All net assets are attributable to equity holders of the parent.

Net Asset Value per ordinary share attributable to equity holders of the parent					
Basic (£)	18	**£5.16**	£4.44	**£5.17**	£4.45
Diluted (£)		**£5.14**	£4.43	**£5.15**	£4.44

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

They were signed on its behalf by:

Karin Forseke
Chair

Katherine Garrett-Cox
Chief Executive

Cash flow statement for the year ended 31 December 2013

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

Notes

1 General Information

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

Critical accounting estimates and judgements

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

Valuation of unlisted investments

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

Defined benefit scheme

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

2 Summary of Significant Accounting Policies

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

Basis of accounting

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

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

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

Adopted IFRSs

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

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

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

IFRS 13 Amendments to fair value measurement and disclosure

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

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

2 Summary of Significant Accounting Policies

IFRSs not yet applied

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

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

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

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

Basis of consolidation

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

Presentation of income statement

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

Revenue recognition

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

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

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

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

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

Underwriting commission is recognised as earned.

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

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

Foreign currencies

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

2 Summary of Significant Accounting Policies

Expenses

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

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

Operating leases

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

Share based payments

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

Investment incentive plan

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

Pension costs

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

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

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

Taxation

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies

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

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

Financial instruments

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

Derivative financial instruments

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

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

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

Investments

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

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

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

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

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

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

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

Cash and cash equivalents

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

Other receivables

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

Office premises

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

Intangible assets

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

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

2 Summary of Significant Accounting Policies

Other fixed assets

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

Impairment

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

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

Financial liabilities and equity

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

Bank borrowings

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

Other payables

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

Buy backs and cancellation of shares

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

Realised and unrealised capital reserves

A description of each of the reserves follows:

Capital reserve

The following are recorded through this reserve:

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

Revaluation reserve

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

Merger reserve

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

Capital redemption reserve

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

Revenue reserve

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

3 Revenue

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

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

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

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

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

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

		Group			Group	
£000	Dec 13 Revenue	Dec 13 Capital	Dec 13 Total	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total
Auditor's remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	**57**	**-**	**57**	52	-	52
Fee payable to the auditor for subsidiary audits	**92**	**-**	**92**	70	-	70
Total audit fees	**149**	**-**	**149**	122	-	122
Audt related assurance services	**23**	**-**	**23**	23	-	23
All other services	**32**	**-**	**32**	45	-	45
Total non-audit fees	**55**	**-**	**55**	68	-	68
Fees payable to the Company's auditor in respect of associated pension schemes audit	**3**	**-**	**3**	3	-	3
	3	**-**	**3**	3	-	3
Total remuneration	**207**	**-**	**207**	193	-	193
Operating lease charges						
Land and buildings	**127**	**-**	**127**	127	-	127
Other	**63**	**-**	**63**	62	-	62
Total operating lease charges	**190**	**-**	**190**	189	-	189
Other administrative costs including auditor's remuneration	**23,695**	**-**	**23,695**	20,672	-	20,672
Total administrative expenses	**45,373**	**1,860**	**47,233**	41,234	1,625	42,859

		Company			Company	
£000	Dec 13 Revenue	Dec 13 Capital	Dec 13 Total	Dec 12 Revenue	Dec 12 Capital	Dec 12 Total
Staff costs	**7,947**	**1,294**	**9,241**	6,391	985	7,376
Social security costs	**1,242**	**-**	**1,242**	771	-	771
Pension credit - defined benefit scheme*	**(149)**	**-**	**(149)**	(30)	-	(30)
Pension costs - defined contribution scheme	**717**	**-**	**717**	623	-	623
	9,757	**1,294**	**11,051**	7,755	985	8,740
Auditor's remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	**57**	**-**	**57**	52	-	52
Total audit fees	**57**	**-**	**57**	52	-	52
All other services	**8**	**-**	**8**	37	-	37
Total non-audit fees	**8**	**-**	**8**	37	-	37
Fees payable to the Company's auditor in respect of associated pension schemes audit	**3**	**-**	**3**	1	-	1
	3	**-**	**3**	1	-	1
Total remuneration	**68**	**-**	**68**	90	-	90

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

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

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

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

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

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

5 Finance costs

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

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

6 Taxation

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

6 Taxation

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

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

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

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

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

7 Dividends

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

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

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

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

8 Earnings per share

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

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

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

8 Earnings per share

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

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

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

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

9 Non-current assets

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

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

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

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

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

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

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

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

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

9 Non-current assets

December 2012 — Group

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

December 2013 — Group

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

December 2012 — Company

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

December 2013 — Company

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

9 Non-current assets

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

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

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

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

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

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

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

10 Subsidiaries

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

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

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

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

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

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

11 Intangible assets

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

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

12 Deferred tax

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

Group

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

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

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

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

12 Deferred tax

Company

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

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

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

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

13 Outstanding settlements and other receivables

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

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

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

14 Outstanding settlements and other payables

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

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

15 Bank loans

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

16 Share capital

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

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

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

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

Capital Management Policies and Procedures

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

The Company does not have any external imposed capital requirements.

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

17 Reserves

Group

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

Company

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

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

18 Net Asset Value per Ordinary Share

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

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

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

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

19 Segmental Reporting

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

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

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

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

ATS bears its own direct costs.

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

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

All operating segments operate within the United Kingdom.

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

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

19 Segmental Reporting

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

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

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

Assets & liabilities — Year ended 31 December 2013

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

Assets & liabilities — Year ended 31 December 2012

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

Reconciliation of reportable segment assets to consolidated amounts

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

19 Segmental Reporting

Reconciliation of reportable segment liabilities to consolidated amounts

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

20 Related Party Transactions

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

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

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

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

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

Transactions with key management personnel

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

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

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

21 Analysis of change in net cash/(debt)

Group

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

Company

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

22 Financial commitments

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

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

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

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

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

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

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

23 Financial instruments and Risk

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

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

Capital Risk Management

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

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

23 Financial instruments and Risk

Capital Risk Management

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

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

Risk management policies and procedures

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

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

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

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

23.1 Market Risk

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

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

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

23.2 Currency Risk

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

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

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

Currency Exposure (Group)

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

23 Financial instruments and Risk

23.2 Currency Risk

Currency Exposure (Company)

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

Foreign Exchange Forward Contracts

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

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

Sensitivity analysis

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

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

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

23.3 Interest Rate Risk

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

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

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

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

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

23 Financial instruments and Risk

23.3 Interest Rate Risk

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

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

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

Sensitivity analysis

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

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

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

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

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

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

Sensitivity analysis – Treasury Bills

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

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

23 Financial instruments and Risk

23.4 Other Price Risk

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

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

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

Concentration of exposure to other price risks

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

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

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

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

Sensitivity analysis

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

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

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

23 Financial instruments and Risk

23.5 Credit Risk

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

This risk is managed as follows:

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

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

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

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

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

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

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

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

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

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

23 Financial instruments and Risk

23.6 Liquidity Risk

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

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

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

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

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

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

December 2013

£000	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	5+ years	Total
Credit default swaps	-	(337)	(1,038)	(4,519)	-	(5,894)
Interest rate swaps	-	-	-	(34)	(451)	(485)
	-	(337)	(1,038)	(4,553)	(451)	(6,379)

December 2012

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

23 Financial instruments and Risk

23.7 Gearing Risk

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Investments after gearing	**3,321,630**	2,731,162	**3,218,986**	2,643,113
Gearing	**(380,000)**	(200,000)	**(380,000)**	(200,000)
Investments before gearing	**2,941,630**	2,531,162	**2,838,986**	2,443,113

Sensitivity analysis

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

	Group		Company	
£000	**Dec 13**	**Dec 12**	**Dec 13**	**Dec 12**
Income statement				
Revenue return	**-**	-	**-**	-
Capital return	**(38,000)**	(20,000)	**(38,000)**	(20,000)
Net Assets	**(38,000)**	(20,000)	**(38,000)**	(20,000)

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

23.8 Hierarchical Valuation of Financial Instruments

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

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

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

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

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

The following table analyses the fair value measurements for the Group's/Company's assets and liabilities measured by the level in the fair value hierarchy in which the fair value measurement is categorised at 31 December 2013. All fair value measurements disclosed are recurring fair value measurements.

Group valuation hierarchy fair value through profit and loss

	As at 31 December 2013				As at 31 December 2012			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	**3,188,951**	**-**	**-**	**3,188,951**	2,607,869	-	-	2,607,869
Credit default swaps	**-**	**(7,371)**	**-**	**(7,371)**	-	(3,189)	-	(3,189)
Interest rate swaps	**-**	**(164)**	**-**	**(164)**	-	-	-	-
Foreign exchange contracts	**-**	**(2,357)**	**-**	**(2,357)**	-	-	-	-
Unlisted investments								
Private equity	**-**	**-**	**124,854**	**124,854**	-	-	108,435	108,435
Mineral rights	**-**	**-**	**13,192**	**13,192**	-	-	8,927	8,927
	3,188,951	**(9,892)**	**138,046**	**3,317,105**	2,607,869	(3,189)	117,362	2,722,042

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

Company valuation hierarchy fair value through profit and loss

£000	As at 31 December 2013 Level 1	Level 2	Level 3	Total	As at 31 December 2012 Level 1	Level 2	Level 3	Total
Listed investments	**3,019,041**	**-**	**-**	**3,019,041**	2,460,762	-	-	2,460,762
Foreign exchange contracts	**-**	**(2,357)**	**-**	**(2,357)**	-	-	-	-
Unlisted investments								
Private equity	**-**	**-**	**127,890**	**127,890**	-	-	111,436	111,436
Alliance Trust Savings	**-**	**-**	**26,708**	**26,708**	-	-	24,619	24,619
Alliance Trust Finance	**-**	**-**	**16,837**	**16,837**	-	-	17,761	17,761
Alliance Trust Investments	**-**	**-**	**12,780**	**12,780**	-	-	10,117	10,117
Mineral rights	**-**	**-**	**13,192**	**13,192**	-	-	8,927	8,927
Other	**-**	**-**	**370**	**370**	-	-	371	371
	3,019,041	**(2,357)**	**197,777**	**3,214,461**	2,460,762	-	173,231	2,633,993

There have been no transfers of recurring measurements during the year between Levels 1, 2 and 3.

Fair Value Assets in Level 1

The quoted market price used for financial investments held by the Group is the current bid price. These investments are included within Level 1 and comprise of equities, bonds and exchange traded derivatives.

Fair Value Assets in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates.

The following valuation techniques are relevant to the Level 2 instruments detailed above;

The fair value of credit default swaps are calculated as a function of the principle and the accrual. The principle is calculated as the present value of the future cash flows that result from the difference between the coupon of the contract and the current spread at which the contract is trading. The accrual is calculated as the coupon multiplied by the day convention, which is further multiplied by the notional value of the contract.

The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows based on changes in observable yield curves.

Fair Value Assets in Level 3

Level 3 valuations are reviewed at least annually by the Valuation Committee who are assigned responsibility by the Board of Alliance Trust PLC. The Valuation Committee considers the appropriateness of the valuation models, inputs, using the various valuation methods in accordance with the Group's valuation policy. The Committee will determine the appropriateness of any valuation of the underlying assets.

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

£000	Group Dec 13	Group Dec 12	Company Dec 13	Company Dec 12
Balance at 1 January	**117,362**	92,189	**173,231**	133,721
Net gain from financial instruments at fair value through profit or loss	**10,724**	18,333	**(3,959)**	16,291
Purchases at cost	**21,265**	25,539	**32,765**	42,284
Sales proceeds	**(8,527)**	(5,915)	**(3,577)**	(5,918)
Realised loss on sale	**(2,778)**	(12,784)	**(683)**	(13,147)
Balance at 31 December	**138,046**	117,362	**197,777**	173,231

Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £150.5m (£122.4m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association. This includes Alliance Trust Savings Limited at £26.7m (£24.6m), Alliance Trust Investments Limited at £12.8m (£10.1m) and Alliance Trust Finance Limited £16.8m (£17.8m). This represents the Directors' view of the amount for which the subsidiaries could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that the Company has any intention to sell the subsidiary business in the future. The Directors have used

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

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

The following key assumptions are relevant to the fair valuation of our investment in our subsidiary companies, and are consistent with prior years:

- Alliance Trust Savings - This is valued as a trading business. A discounted cash flow, revenue multiple and an earnings before interest tax depreciation and amortisation multiple approach have been adopted.
- Alliance Trust Investments - This is valued based on third party funds only. Given the stage of development of Alliance Trust Investments it is valued as a book of business rather than a trading business. Both a discounted cashflow and revenue multiple valuation approach have been adopted.
- Alliance Trust Finance - This is predominantly valued using the value of cash held in this entity.

The mutiples applied in valuing our subsidiaries are derived from comparable companies sourced from market data.

Mineral rights are carried at fair value and are valued in the Company's accounts at £13.2m (£8.9m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the Oklahoma Tax Commission and for non-producing properties, the Lierle US Price Report.

The table below details how an increase or decrease in the respective input variables would impact the valuation disclosed for the relevant Level 3 assets.

£000 Description	Fair Value at Dec 2013	Change in	Unobservable inputs	Input	Input sensitivity +/-	Change in valuation +/-
Alliance Trust Savings	**26,708**	Average of discounted cash flow methodology and comparable trading multiples.	DCF Discount rate	**15%**	1%	(1,000)/1,000
			Revenue multiple	**2.5**	1	3,700/(3,700)
			EBITDA multiple	**12.6**	1	200/(200)
Alliance Trust Investments	**12,780**	Average of discounted cash flow methodology and book acquisition multiples.	DCF Discount rate	**15%**	1%	100/(100)
			Revenue multiple	**2**	1	4,200/(4,200)
Mineral Rights	**13,192**	Oklahoma Tax Commission multiples and Lierle US Price report (for non-producing properties).	Revenue multiple - gas	**7**	1	900/(900)
			Revenue multiple - oil	**4**	1	700/(700)
			Revenue multiple - products/condensate	**4**	1	300/(300)
			Average bonus multiple non-producing	**1.2**	0.5	1,000/(1,000)

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For Alliance Trust Savings, an increase in the revenue and EBITDA multiple or a decrease in the discount rate would lead to an increase in the estimated value. For Alliance Trust Investments, an increase in the revenue and a decrease in the discount rate would lead to an increase in the estimated value. For Mineral rights, an increase in the revenue multiple and average bonus multiple would lead to an increase in the estimated value.

Private equity, both fund-to-fund and direct investment, are included under level 3 is valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in September 2009. Unlisted investments in private equity are stated at the valuation as determined by the Valuation Committee based on information provided by the General Partner. The General Partner's policy in valuing unlisted investments is to carry them at fair value. The General Partner will generally rely on the fund's investment manager's fair value at the last reported period rolled forward for any cashflows. However if the General Partner does not feel the manager is reflecting a fair value they will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are:

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

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). Alliance Trust PLC receives information from the General Partner on the underlying investments which is

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

subsequently reviewed by the Valuation Committee. Where Alliance Trust PLC does not feel that the valuation is appropriate, an adjustment will be made.

No interrelationships between unobservable inputs used in the above valuations of Level 3 investments have been identified.

24 Share Based Payments

The Group operates two share based payment schemes:

All Employee Share Ownership Plan ('AESOP')

Employees may receive up to £3,000 of shares annually under the terms of the AESOP. This amount is pro rated for part time employees. Individuals receive these shares free of all restrictions after a period of 5 years. For the year ended 31 December 2013 awards of £2,000 (£3,000) per person will be made. The maximum cost of all awards for the year will be £387,532 (£532,000) of which the Company will pay £139,000 (£151,000). The charge to the income statement in the year was £284,000 (£653,000) of which the Company paid £104,000 (£179,000).

Long Term Incentive Plan ('LTIP')

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

In the year ended 31 December 2013 participating employees applied a proportion of their annual cash bonuses for the year ended 31 December 2012 to purchase 106,557 (113,061) shares of Group at a price of £4.34 (£3.73) per share. Matching awards of up to 213,264 (204,131) shares and performance awards of up to 728,314 (807,804) were granted.

Matching awards and performance awards made during the year were valued at £356,000 (£328,000) and £1,216,000 (£1,064,000) respectively.

The fair value of awards granted during the year was calculated using a binomial methodology. The assumptions used were a share price of £4.30 (£3.61), share price volatility of 16% (17%) based on a long term average (3 year weekly average), dividend yield of 2.47% (2.5%), a risk free interest rate of 0.22% (0.49%) and forfeiture of Nil (Nil).

The cumulative charge to the income statement during the year for the cost of the LTIP awards referred to above was £1,402,000 (£1,213,000) for the Group and £886,000 (£709,000) for the Company. Per IFRS 2 the costs of matching and performance awards for each plan are expensed over the three year performance period.

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

Movements in options

Movements in options granted under the LTIP are as follows:

	Group December 2013		Group December 2012	
£000	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at 1 January	**3,042,045**	**£0.00**	3,031,980	£0.00
Granted during year	**941,578**	**£0.00**	1,047,935	£0.00
Exercised during year	**(434,037)**	**£0.00**	-	£0.00
Forfeited during year	**(29,432)**	**£0.00**	-	£0.00
Expired during year	**(498,803)**	**£0.00**	(1,037,870)	£0.00
Outstanding at 31 December	**3,021,351**	**£0.00**	3,042,045	£0.00
Exercisable at 31 December	**Nil**	**£0.00**	Nil	£0.00

The weighted average remaining contractual life of the options outstanding at 31 December 2013 was 572 days (606 days).

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

25 Pension Scheme

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

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

Employees, other than Executive Directors, received contributions into their own Self Invested Personal Pension provided by Alliance Trust Savings Limited totalling £1,691,000 (2012:£1,619,000).

The disclosures which follow relate to the Scheme.

Participating Employers

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

Valuation and Contributions

The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 April 2012 although for the purpose of these calculations the results of the 1 April 2012 valuation have been updated on an approximate basis to 31 December 2013. Valuations are on the projected unit credit method.

The contribution made by the Participating Employer over the financial year was £1,500,000 (£1,500,000).

Risks

The Scheme typically exposes the Group to risks such as:

- Investment risk: The Fund holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long-term, any short-term volatility could cause additional funding to be required if a deficit emerges.

- Interest rate risk: The Fund's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest.

- Inflation risk: A significant proportion of the benefits under the Fund are linked to inflation. Although the Fund's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to a deficit emerging.

- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy.

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

£000	Year ended 31 December 2013	Year ended 31 December 2012
Defined benefit obligation at start of year	**30,311**	28,631
Interest cost	**1,334**	1,346
Actuarial losses	**2,848**	788
Benefits paid	**(586)**	(454)
Defined benefit obligation at end of year	**33,907**	30,311

The Group has no unfunded pension obligations.

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

£000	Year ended 31 December 2013	Year ended 31 December 2012
Fair value of assets at start of year	**34,616**	31,781
Expected return on assets	**1,543**	1,406
Actuarial gains	**1,973**	383
Contributions by employer	**1,500**	1,500
Benefits paid	**(586)**	(454)
Administration costs	**(60)**	-
Fair value of assets at end of year	**38,986**	34,616

25 Pension Scheme

Total credit recognised in income statement

£000	Year ended 31 December 2013	Year ended 31 December 2012
Interest on Scheme liabilities	**1,334**	1,346
Expected return on Scheme assets	**(1,543)**	(1,406)
Administration costs	**60**	-
Total credit	**(149)**	(60)

Gains/(Losses) recognised in statement of comprehensive income

£000	Year ended 31 December 2013	Year ended 31 December 2012
Difference between expected and actual return on the Scheme assets:		
Amount	**1,973**	383
Percentage of Scheme assets	**5%**	1%
Experience gain/(losses) arising on the Scheme liabilities:		
Amount	**(41)**	546
Percentage of present value of Scheme liabilities	**-%**	2%
Effects of changes in the financial assumptions underlying the present value of the Scheme liabilities:		
Amount	**(2,748)**	(1,334)
Percentage of present value of Scheme liabilities	**(8)%**	(4)%
Effects of changes in the demographic assumptions underlying the present value of the Scheme liabilities:		
Amount	**(59)**	-
Percentage of present value of Scheme liabilities	**-%**	-%
Total amount recognised in statement of comprehensive income:		
Amount	**(875)**	(405)
Percentage of present value of Scheme liabilities	**(3)%**	(1)%

Assets

£000	Year ended 31 December 2013	Year ended 31 December 2012	Period ended 31 December 2011
Equities	**15,813**	17,906	16,126
Bonds	**21,983**	16,474	15,440
Other	**1,190**	236	215
	38,986	**34,616**	**31,781**

The assets are held independently of the assets of the Group in funds managed by Standard Life Investments, Alliance Trust Investments and Legal & General. None of the fair values of the assets shown above include any of the Group’s own financial instruments or any property occupied by, or other assets used by, the Group.

Actual return on the Scheme assets

The actual return on the Scheme assets over the year ended 31 December 2013 was a gain of 2% (gain of 1%).

25 Pension Scheme

Assumptions

%	31 December 2013	31 December 2012	31 December 2011
RPI Inflation	**3.40**	2.90	3.20
CPI Inflation	**2.50**	2.40	2.20
Rate of discount	**4.40**	4.40	4.70
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a.)	**3.30**	2.80	3.10
Allowance for revaluation of deferred pensions of CPI (subject to a maximum increase of 5% p.a.)	**2.50**	2.40	2.20

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

We have assumed that the long term CPI assumption is 0.9% lower than the corresponding RPI assumption. The Mortality assumptions adopted at 31 December 2013 imply the following life expectancies from age 65. The mortality assumptions follow the S1PA table, using 90% of the base table with the CMI_2012 mortality projections with improvements subject to 1% minimum to the annual approvements.

The weighted average duration of the defined benefit obligation is around 24 years.

Mortality assumptions	31 December 2013 Years	31 December 2012 Years
Male currently age 45	**24.5**	24.3
Female currently age 45	**26.9**	26.9
Male currently age 65	**23.1**	22.4
Female currently age 65	**25.4**	25.0

Sensitivities

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

Assumption	Change in assumption Increase	Estimated impact on scheme liabilities (Decrease)/Increase	Change in assumption Decrease	Estimated impact on scheme liabilities Increase/(Decrease)
Discount rate	0.1%	(£756,000)	0.1%	£778,000
RPI	0.1%	£501,000	0.1%	(£491,000)
CPI	0.1%	£283,000	0.1%	(£280,000)
Age of member	1 year	(£920,000)	1 year	£909,000

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

£000	Year ended 31 December 2013	Year ended 31 December 2012	Period ended 31 December 2011
Present value defined benefit obligation	**33,907**	30,311	28,631
Fair value of Scheme assets	**38,986**	34,616	31,781
Surplus in Scheme	**5,079**	4,305	3,150

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income of the Company since adoption of IAS19 is a loss of £3,492,000 (£2,617,000).

All actuarial gains and losses are recognised immediately.

25 Pension Scheme

Best estimate of contributions to be paid to the Scheme for the year ending 31 December 2014

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

Amounts for the current and previous four years

£000	Dec 13	Dec 12	Dec 11	Jan 11	Jan 10
Fair value of assets	**38,986**	34,616	31,781	29,033	22,924
Defined benefit obligation	**33,907**	30,311	28,631	28,187	27,845
Surplus/(Deficit) in scheme	**5,079**	4,305	3,150	846	(4,921)
Experience adjustment on scheme liabilities	**(41)**	546	(374)	409	255
Experience adjustment on scheme assets	**1,973**	383	575	1,733	2,019
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**(2,807)**	(1,334)	(968)	935	(5,518)

26 Operating lease commitments

As at 31 December 2013 the Group and Company had total future minimum lease payments under non cancellable operating leases as follows:

£000 Group	31 December 2013 Land and buildings	31 December 2013 Other	31 December 2012 Land and buildings	31 December 2012 Other
Lease commitments due				
Within 1 year	**280**	**35**	-	-
Between 2-5 years	**-**	**31**	449	125

£000 Company	31 December 2013 Land and buildings	31 December 2013 Other	31 December 2012 Land and buildings	31 December 2012 Other
Lease commitments due				
Within 1 year	**280**	**-**	-	-
Between 2-5 years	**-**	**15**	449	20

27 Finance lease commitments

31 December 2013

£000 Company and Group	Minimum lease payments	Present value of minimum lease payments
Due within 1 year	**146**	**2**
Due in 2-5 years	**110**	**-**
	256	**2**
Less finance charges allocated to the future periods	**254**	
Present value of minimum lease payments	**2**	