SC001731

PARTNERSHIP ACCOUNTS

Report and Accounts
for the year ended 31 January

2011

ALLIANCE TRUST
INVESTING FOR GENERATIONS

Contents

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Statement of Investment Objective and Policy

Alliance Trust is a self-managed investment company with investment trust status. Our objective is to be a core investment for investors seeking increasing value over the long term. We have no fixed asset allocation benchmark and we invest in a wide range of asset classes throughout the world to achieve our objective. Our focus is to generate a real return for shareholders over the medium to long term by a combination of capital growth and a rising dividend.

We pursue our objective by:

- Investing in both quoted and unquoted equities across the globe in different sectors and industries;
- Investing internationally in fixed income securities;
- Investing in other asset classes and financial instruments, either directly or through investment vehicles; and
- Investing in subsidiaries and associated businesses which allow us to expand into other related activities.

We are prepared to invest any proportion of the total corporate capital in any of the above asset classes, subject only to the restrictions imposed on us by the regulatory or fiscal regime within which we operate. However, we would expect equities to comprise at least 50% of our portfolio. Changes to the asset allocation will be dependent upon attractive investment opportunities being available.

Where market conditions permit, we will use gearing of not more than 30% of our net assets at any given time. We can use derivative instruments to hedge, enhance and protect positions, including currency exposures.

The nature of investment trusts

Investment trusts are able to take a long-term investment perspective through different economic cycles because of their closed-end structure – we have a long history of investing, dating back to the 1880s.

We have the ability to move between asset classes as markets change – we started out as a mortgage company specialising in US land, but now invest predominantly in quoted equities.

Not being restricted to one geographical area can enhance returns – our ability to invest globally allows us to move funds to those areas where we see the greatest potential gains.

Gearing can be used to enhance returns where the cost of borrowing is lower than the returns we expect on our investments – at the year end we had borrowings in place of around 11% of our net assets.

Our costs are well below those of comparable open-ended funds – our published TER is 0.63%.

Company Highlights

- Total Shareholder Return +19.2% following +20.3% last year
- Share price and Net Asset Value reached 3 year highs in early January
- Net Asset Value increased by 11.9% in second half of the year
- Increased gearing put in place prior to market rally in the second half
- Full year dividend of 8.395p per share – a 3% increase on 2010 and covered by current year earnings
- Third party assets under management rose from £12 million to £83 million
- Losses at Alliance Trust Savings reduced by 30%

Net Asset Value (per share)

439.0p **18.7%** Total Return

Source: Alliance Trust

Share Price

364.0p **19.2%** Total Shareholder Return

Source: FactSet

Dividend

8.395p **3.0%**

Source: Alliance Trust

Total Expense Ratio

0.63% **6bps**

Source: Alliance Trust

Chairman's Statement

Lesley Knox

Over the last three years your Company has withstood the impact of dramatic shifts in the economic climate and its consequences for investments across the globe. We have made good progress in the modernisation of Alliance Trust to ensure that we are well-placed to take advantage of the opportunities which are now emerging. At the same time we have made significant strides in the development of our subsidiary businesses.

In this year's report we talk about the actions we have taken in order to create long-term value for shareholders at a time when the opportunities for investment trusts are increasingly evident.

Investment performance

Our investment philosophy allows us to allocate capital to those asset classes and regions where we see the best opportunities for growth. We took advantage of this flexibility during the year to shift our equity portfolio increasingly in favour of companies in Asia and Emerging Markets, and also to those companies which generate a significant part of their revenues from these regions. This contributed to a total return of 19.2% for shareholders over the period.

Over the three year period to 31 January 2011, we are now at the median of our peer group, reflecting the significant improvements in our investment process which have been made by the current management team.

Performance management

During the year we reviewed the Key Performance Indicators which are used by the Board to assess performance. Given the long-term investment focus of the Company, the Board agreed that the following metrics should be used to communicate performance to shareholders:

- Percentage change in Net Asset Value against the peer group over 6 months, 1, 3 and 5 years on a rolling basis
- Percentage change in Total Shareholder Return against the peer group over 6 months, 1, 3 and 5 years on a rolling basis
- Dividend growth over 1, 3 and 5 years
- Management of the Company's cost base in line with market conditions

The peer group we have adopted for the future is the AIC Global Growth investment trust sector.

We are also asking shareholders to approve changes to the long-term incentive plan to reflect these changes.

For the current year we have continued to report on the previous Key Performance Indicators to assist comparability.

I am asked occasionally by shareholders why we do not have a fixed asset allocation benchmark and this is a question we considered during the review. However, the absence of a benchmark means that we are not constrained by a need to remain close to the chosen index and instead can deploy the Company's capital where we see the best opportunities for long-term returns.

Dividend

As noted above, we recognise the importance of a growing dividend to our shareholders and I am particularly pleased to report that this has continued for a 44th consecutive year, with an increase in the full year dividend of 3% from 8.15p per share to 8.395p per share, which we have been able to cover from current year earnings rather than out of reserves.

Discount and Share buybacks

Our discount was unchanged over the year, starting and ending at 17.1%, but having narrowed significantly from levels seen over the summer months. The discount was less volatile than both the previous financial year and our peer group average, giving our long-term investors the benefit of stability. We do, of course, recognise the concerns of shareholders as to the absolute level of discount, and keep this under constant review.

During the year we undertook our second share buyback, purchasing and cancelling just under 1% of the Company's shares. Since the year end we have undertaken a series of further buybacks of a total of 3,575,000 shares. The Board's view remains that we will use share buybacks as one of the investment tools available to us to create long-term value for shareholders. We believe this flexible approach will benefit our long-term shareholders. The introduction of a rigid discount control mechanism would constrain our investment flexibility while at the same time increasing our total expense ratio, cost of debt and jeopardising our ability to maintain a progressive dividend.

Engagement with shareholders

Investment trusts offer an excellent means for individual investors to access a diversified investment portfolio at relatively low risk and cost. As well as our institutional shareholders Alliance Trust has over 44,000 individual shareholders, either directly or through our subsidiary Alliance Trust Savings. We actively engage with them, not just once a year at the Annual General Meeting, but also throughout the year, through our regular Investor Forums and ongoing communications by letter, email and telephone.

The debate around stewardship by institutional investors is well-advanced, and as an investor Alliance Trust is pleased to have adopted the Stewardship Code which was issued by the Financial Reporting Council during the year. Action is still, however, required by all companies to encourage the engagement of individual investors.

Regulatory change

The pace of regulatory change is relentless and Alliance Trust is determined to play its part in the debate to shape the regulatory environment in a way that protects and enhances value for our shareholders.

We continue to take a close interest in developments in relation to the Retail Distribution Review. We believe that it will create a fairer environment for investment trusts, although much has still to be done to ensure that advisers appreciate the key characteristics of investment trusts in general and Alliance Trust in particular.

The Board

We welcomed Alan Trotter as Finance Director at the start of the year. During the year we also appointed Timothy Ingram, who recently retired as Chief Executive of Caledonia Investments PLC, as a Non-Executive Director and I am delighted to welcome him to the Board. His obvious commitment to the investment trust sector, combined with his wider financial services experience, is of great benefit to the Board. Sadly, we are losing Clare Sheikh from the Board at the Annual General Meeting, having served as a Non-Executive Director for six years. On behalf of the Board I thank her for her contribution and wish her well for the future.

We note the continuing debate on the topic of diversity on boards. We concur with the conclusion of Lord Davies' review that quotas are not the preferred option and may indeed be counterproductive. Since 2001 women have always comprised at least 20% of the Board but, more importantly, 17% of our Senior Leadership Group is female. Only by fostering talent at all levels can companies expect to achieve diversity around the board table and the resulting benefits.

Annual General Meeting

Our Annual General Meeting will be held in Dundee on Friday 20 May 2011. As always there will be formal business to consider, and you can read about this in the notice of meeting, but, first and foremost, this is an opportunity to meet the management team and hear about your Company's progress and views on the markets in which we invest. I would encourage shareholders to attend and look forward to seeing as many of you as possible then. If you are not planning to attend the meeting I would urge you to return a voting form beforehand so your views can be heard.

Chief Executive's Review

Katherine Garrett-Cox

Performance Summary

The first half of 2010 was dominated by the Sovereign Debt crisis in peripheral Europe which led ultimately to emergency bail-out programmes being introduced in Greece and Ireland. After some nervousness, markets stabilised to post positive returns for the period, the Company's Net Asset Value (NAV) rising 3.8% in the 6 months to 31 July. Against this backdrop, our confidence in the sustainability of the recovery in corporate earnings in western economies grew, as did our conviction in the long-term growth opportunities available in Asian and Emerging Markets. Accordingly, we maintained our high weighting in global equities and increased further our allocation within our equity portfolio to Asia and Emerging Markets. Our performance benefited from these moves as our Asian holdings returned the highest absolute returns among our regional equity portfolios. These two areas accounted for 26% of our equity portfolio at the year-end, our highest weighting in over 20 years.

The second half of the year saw momentum in stock markets gather pace as economic reports confirmed that measures taken by the global authorities were driving growth, albeit at subdued levels. Markets were encouraged by the Federal Reserve's commitment to a second round of Quantitative Easing in the US, by favourable company earnings reports and by evidence of strengthening of corporate balance sheets. All markets performed strongly over the second half with our UK, North American, European, Global and Asian portfolios all producing double-digit returns. We benefited by weighting our portfolios towards companies in sectors which would perform well in a cyclical upturn, such as Industrials, Financials, Multi-nationals and Resources. Growth in personal consumption in Asia was also a consistent positive investment theme across our portfolios. Stock selection in the UK and Asia contributed positively to our relative returns in these areas. Our North American portfolio, however, lagged its benchmark as stocks perceived to have greater recovery potential fared better than our more defensive growth stocks in the strong market towards the end of 2010. The NAV of the Company rose 11.9% in the second half of the year.

Over the full year, the Company's basic NAV rose 16.2% and produced a total return of 18.7%. The share price rose 16.3% and the Total Shareholder Return (TSR) was 19.2%. Our TSR has increased by 43.3% over the past two years as stock markets have continued their recovery from the financial crisis in 2008, the share price having risen from 268p at 31 January 2009 to 364p at 31 January 2011.

When we look back over the last three years we have witnessed periods of extreme volatility, with markets falling sharply in 2008 and recovering since March 2009. Despite these varying conditions, Alliance Trust has outperformed the FTSE All-Share and is ranked 18/36 in its peer group of investment trusts in the Global Growth and Global Growth and Income sectors.

As at 31 January 2011 the Company's net assets were allocated thus:-

Quoted Equities	97%
Fixed Income	5%
Private Equity	4%
Property	2%
Other Assets (including subsidiaries)	3%
Gearing	(11%)

Income Generation

A major attribute of the global spread of our portfolio is that we derive income from a variety of businesses, sectors and regions. Higher income returns from our holdings across the globe have helped us to pay an increased dividend to shareholders this year in a continuing difficult environment for income generation. Total corporate dividends in the UK are reported to have been reduced by a further 3% in 2010, having fallen by 15% in 2009. The decision of one of our largest holdings, BP, to suspend its dividend reduced our income by £2.9 million. Key elements of our investment process are an assessment of the underlying strength of the cash flow of a company and its ability to sustain its dividend payments. Keen attention to these factors, combined with our increased allocation to fixed income securities, has enabled the increased dividend to be paid from current year earnings, while at the same time adding to our revenue reserves. Against this backdrop our annual dividend grew by 3%.

Gearing

Net debt was increased by £127 million to £247 million as we used our banking facilities to increase our quoted equity holdings prior to the rally in markets in the second half of the year and also to fund our fixed income investments. Net gearing stood at 11% at the year end, which we believe to be an appropriate level in the current market environment. During the year we negotiated three new committed facilities and renegotiated to 36 months an existing committed facility which was nearing maturity. The competitive terms and length of the committed facilities secured attest to the financial strength of the Trust.

Asset Allocation

In the first half of the year we increased our exposure to Asian and Emerging Markets where we expect long-term premium growth rates to be maintained in economies which are not saddled with the debt burdens afflicting many western countries. Both areas rose strongly, particularly over the second half of the year. We added £166 million to the Asian and £124 million to the Emerging Markets portfolios in the first half of the year. Reflecting our higher conviction investment approach, this reallocation of assets resulted in the two portfolios representing 26% of our net assets at the year end, against 14% twelve months ago.

These additions were funded by reductions of £140 million in our UK quoted equity portfolio and £150 million from other global equities. UK equities now represent 34% of net assets, our lowest UK weighting in over 20 years. The recent UK budget has confirmed our expectations of subdued domestic growth in 2011. While we have reduced the proportion of the equity portfolio invested in UK large cap companies exposed to western economies, our investment process has also identified companies which are benefiting from the higher growth opportunities available in Asia. Asian growth has been a key theme in our UK portfolio this year. The chart below illustrates that 29% of revenues of the companies in our portfolio are derived from Asia, while only 6% of revenues are generated in the UK.

We added £50 million to European equities in November as we considered valuations and dividend growth prospects to

Cash/Gearing

Source: Alliance Trust/FactSet

Geographic Allocation vs Revenue

Source: Alliance Trust

be favourable. Sovereign Debt issues in peripheral European economies have depressed valuations in the Eurozone and we took advantage of the opportunity by adding to our positions in some solid long-term growth stocks.

Our allocation to fixed income securities was increased following a commitment of £100 million to the Alliance Trust Monthly Income Bond Fund in June. This new Fund is managed by the team of fixed income managers we appointed towards the end of last year. The Fund is predominantly invested in a diversified portfolio of investment grade corporate bonds and has an estimated annual distribution yield of over 6%, making a significant contribution to the income generation of our investment portfolio and helping us to diversify our sources of income while supporting our growing dividend. Our preference share portfolio was valued at £6.3 million at the year end compared to £17.5 million 12 months previously as we sold down the holdings, re-investing the proceeds into the Fund and our equity portfolio.

In line with our previously stated strategy, we made two further disposals from our direct property portfolio which was valued at £28.5 million at the year end. Since the year end we have announced our intention to close our Private Equity business which represented 4% of our net assets at 31 January. We intend to wind down our exposure in order to maximise the return to shareholders.

Asset Allocation

Source: Alliance Trust

Key Priorities

Since 2009 we have focused on five key priorities which we believe are necessary to enable us to achieve our objective of delivering long-term value for shareholders. These are:

To focus on investment in equities

Quoted equities represented 97% of net assets at the year end, the highest quoted equity weighting held by the Company in the past 7 years. Net debt was increased from 5% of net assets at the start of the year to 11% by drawing down on our banking facilities through the year. This helped us to increase further our already high weighting in global equities. Within our equity portfolio we have also made significant moves to increase our allocation to those parts of the world which we believe offer highest potential for future growth.

To continue to improve investment performance

Our quoted equity portfolio returned a gain of 19% for the year. Almost three quarters of the return was generated in the second half of the year when equity markets performed strongly as global policymakers acted to sustain the economic recovery following the crisis of 2008. Performance benefited from our increase in net debt levels implemented in the first half of the year, and our higher conviction approach to asset allocation. We also developed further our risk management and monitoring systems within our investment process.

To manage our cost base in line with market conditions

The Total Expense Ratio (TER) for the period was 0.63% (0.69%).

We have continued to apply strict cost controls across the Company, while focusing resources in those areas of the business which we believe offer the greatest potential for longer term growth. Further efficiencies were delivered from a new supplier management framework, reducing costs on information systems, although this was offset by higher overseas custody costs as we increased our exposure to Asia and Emerging Markets. We invested in new computer servers and infrastructure hosting capability to ensure we are able to meet industry best practice. The Company expenses also include necessary professional expenses associated with preparing a response to the AGM requisitions submitted by Laxey Partners in December 2010. As a result, Company expenditure increased to £17.0 million (£16.0 million).

To develop our subsidiary businesses

Alliance Trust Asset Management currently offers six funds in its range, five of which invest in equities on a regional basis. Its first fixed income fund, the Alliance Trust Monthly Income Bond Fund, was launched in June. Third party assets under management have grown from £12 million twelve months ago, to £83 million at the year end. The extensive sales and marketing activities of the business, aimed at growing its profile and brand throughout the UK, are also highly beneficial in raising interest in the Company in the intermediary market.

Alliance Trust Savings, our subsidiary business which offers share dealing services, a fund platform, ISA and pensions administration, made significant progress during the year. The company has redeveloped its i.nvest online dealing platform, which is one of the UK's leading fund platforms and is the UK's largest investment trust platform. Revenues grew by 28% to £12.8 million. 44% of Alliance Trust Savings' clients are shareholders in the Company.

To invest in the development of our people

We have invested prudently in leadership development during 2010, building a framework which we have begun to apply consistently across the entire employment experience of our leaders, i.e. recruitment, induction, communications, performance management, development and reward. We have developed a set of values and behaviours under the headings of "integrity, responsibility, communications, passion, performance and teamwork" which exemplify how we are perceived and behave as a company.

We have established a Senior Leadership Group and are introducing appropriate development programmes. We have also introduced an Emerging Leaders Group and will be delivering a tailored development programme for this group during 2011.

Economic Background

The major issue in the UK at the moment is that of inflation. For the Monetary Policy Committee to ensure overall inflation of 2%, it may have to tighten policy such that it pushes the domestic economy back into recession. The authorities are walking a tightrope and may be willing to accept a higher rate of headline inflation in the short term, knowing that growth and inflation are both expected to be muted in 2012. The planned cuts in fiscal spending in the UK are severe and will take place over several years. Household spending is likely to remain muted. On the more positive side the corporate sector remains healthy, with relatively strong balance sheets.

The economic recovery in the US waned last summer, causing the Federal Reserve to introduce another round of Quantitative Easing. This additional liquidity has improved confidence in asset markets and in the corporate sector but has yet to have an impact on households, which make up the bulk of the economy. We believe that we need to see recovery in the labour and housing markets, an improvement in consumer confidence and spending and real wage growth before we can be sure of a relatively strong and sustainable US recovery.

The benefits of strong Chinese growth are spilling over into the rest of Asia. Indeed, the global economy has become increasingly dependent on China being able to continue to achieve a relatively high rate of economic growth. China has again achieved growth of more than 10%, led by investment funded largely by huge levels of bank lending. Inflation is also the major concern throughout Asia. Policy makers now face the tough choice of either tightening monetary policy to dampen the impact of inflation on their domestic economies or maintaining extremely loose policy in an attempt to maintain currency stability.

Europe's biggest economic issue over the last year has been the Sovereign Debt crisis and the need for fiscal austerity packages throughout the periphery of the region. The resulting weakness of the Euro has largely benefited Germany which has achieved a relatively high rate of growth based on exports. With fiscal policy throughout the region likely to remain tight, there is still heavy reliance on monetary policy. Although there are questions about the sustainability of the Euro, we do not underestimate the political will to keep Europe together through this period of crisis.

Outlook

The near term outlook for stock markets remains clouded by a number of uncertainties. Inflation has been pushed higher by increased food and energy prices. The oil price has risen rapidly as a result of the political unrest in some Middle Eastern countries and concerns on the potential impact on oil supplies. We have no direct holdings in the Middle East. Since the year end we have increased our exposure to developed markets in Asia at the expense of the region's emerging markets due to the inflationary outlook. Overall our largest weightings remain in the Financials, Industrial, Oil & Gas and Consumer Goods sectors. Our consumer exposure remains biased towards the higher growth markets rather than developed economies.

Recent events in Japan are tragic. The extent of human loss is a stark reminder of the risks that are faced daily in some parts of the world. It will be many years before the damage to property, industry and infrastructure is repaired. We are greatly encouraged by the immediacy of the response of the Japanese authorities and by the concerted international efforts that will do much to assist in stabilisation of the country at both a human and economic level. This applies particularly to currency markets, as an economy much reliant on exports would be weakened by further strength in the Yen. There are clearly many domestic uncertainties to be resolved in Japan over the coming months. We do not think, however, that these recent events will derail the global economic recovery.

We expect volatility in markets this year in response to further fiscal and monetary policy actions. Corporate balance sheets and cash flow are generally strong and we continue to identify first class stock specific investment opportunities in all markets. The recent corrections in stock markets, triggered by the disaster in Japan, have resulted in valuations looking attractive in many areas. We are optimistic on the outlook for the year and are at present retaining our high weighting in global equities along with our level of gearing. We will, however, be quick to reduce gearing and increase our cash levels if we believe circumstances warrant such a change. Returns will be driven by a combination of asset allocation and stock selection and we will focus our resources to make timely and high conviction decisions in both areas.

Investment Portfolio Information

Top 50 quoted equity holdings as at 31 January 2011

Stock	Country of Listing	Sector	Value £m	% of quoted equities
Royal Dutch Shell	UK	Oil & Gas Producers	82.2	2.9
BHP Billiton	UK/Australia	Mining	76.1	2.7
HSBC Holdings	UK	Banks	70.0	2.5
BP	UK	Oil & Gas Producers	67.1	2.4
Rio Tinto	UK	Mining	62.7	2.2
GlaxoSmithKline	UK	Pharmaceuticals & Biotechnology	47.0	1.7
New York Community Bancorp	USA	Banks	37.9	1.3
Philip Morris International	USA	Tobacco	37.0	1.3
InterOil	Canada	Oil & Gas Producers	36.9	1.3
British American Tobacco	UK	Tobacco	32.7	1.2
Diageo	UK	Beverages	32.7	1.2
Prudential	UK	Life Insurance	32.5	1.2
CNOOC	Hong Kong	Oil & Gas Producers	32.5	1.2
Canadian Pacific Railway	Canada	Industrial Transportation	31.2	1.1
AstraZeneca	UK	Pharmaceuticals & Biotechnology	31.1	1.1
Clean Harbors	USA	Support Services	30.1	1.1
Unilever	UK	Food Producers	29.0	1.0
Taiwan Semiconductor Manufacturing	Taiwan	Technology Hardware & Equipment	28.1	1.0
Vodafone Group	UK	Mobile Telecommunications	27.8	1.0
Suncor Energy	Canada	Oil & Gas Producers	27.6	1.0
Carillion	UK	Support Services	26.8	1.0
Tullow Oil	UK	Oil & Gas Producers	26.4	0.9
American Tower	USA	Mobile Telecommunications	25.6	0.9
Industrial & Commercial Bank of China	China	Banks	24.7	0.9
Scottish & Southern Energy	UK	Electricity	23.9	0.9
National Grid	UK	Gas, Water & Multiutilities	23.3	0.8
Apache	USA	Oil & Gas Producers	22.7	0.8
Toyota Motor	Japan	Automobiles & Parts	22.5	0.8
Bank of Nova Scotia	Canada	Banks	22.2	0.8
Siemens	Germany	General Industrials	22.1	0.8
Man Group	UK	Financial Services	22.0	0.8
Ross Stores	USA	General Retailers	21.8	0.8
Adecco	Switzerland	Support Services	21.5	0.8
Intel	USA	Technology Hardware & Equipment	21.5	0.8
Polycom	USA	Technology Hardware & Equipment	21.1	0.8
Cisco Systems	USA	Technology Hardware & Equipment	21.0	0.8
United Technologies	USA	Aerospace & Defense	20.9	0.7
Allianz	Germany	Nonlife Insurance	19.9	0.7
SAP	Germany	Software & Computer Services	19.8	0.7
Kasikornbank	Thailand	Banks	19.8	0.7
Johnson & Johnson	USA	Pharmaceuticals & Biotechnology	19.6	0.7
Reckitt Benckiser Group	UK	Household Goods & Home Construction	19.6	0.7
Amdocs	USA	Software & Computer Services	19.5	0.7
Pearson	UK	Media	19.5	0.7
Barclays	UK	Banks	19.4	0.7
Total	France	Oil & Gas Producers	19.0	0.7
Standard Chartered	UK	Banks	18.6	0.7
Canon	Japan	Technology Hardware & Equipment	18.6	0.7
Mitsui & Co.	Japan	Support Services	18.6	0.7
Informa	UK	Media	18.5	0.7

A full list of companies in which we invest can be found on our website www.alliancetrust.co.uk

Values and weightings are calculated on a look through basis whereby the Trust's exposure is combined with that of its holdings in Alliance Trust Asset Management's funds in order to calculate total exposures.

Classification of Investments

	UK %	North America %	Europe %	Asia %	Global %	Emerging Markets %	Total 2011 %	Total 2010 %
Oil & Gas	6.3	3.5	0.7	1.0	0.8	0.9	**13.2**	13.1
Basic Materials	3.9	0.9	0.8	2.0	0.7	0.7	**9.0**	8.7
Industrials	2.9	3.8	2.7	6.0	0.8	0.8	**17.0**	16.3
Consumer Goods	3.8	1.6	2.6	2.5	0.8	0.7	**12.0**	9.8
Health Care	2.7	3.0	1.3	0.3	0.3	-	**7.6**	6.6
Consumer Services	2.3	1.9	0.6	1.0	0.3	0.7	**6.8**	6.9
Telecommunications	1.0	0.1	-	-	-	0.1	**1.2**	2.4
Utilities	1.6	-	-	-	-	-	**1.6**	1.9
Financials	6.4	3.1	3.1	3.0	1.5	0.8	**17.9**	19.7
Technology	-	4.2	0.9	4.0	1.0	0.6	**10.7**	9.3
Core Equity Portfolio	30.9	22.1	12.7	19.8	6.2	5.3	**97.0**	94.7
Other Assets	0.4	0.4	-	-	-	-	**1.7**	2.1
Private Equity	3.9	-	-	-	-	-	**3.9**	3.2
Subsidiaries	0.6	-	-	-	-	-	**0.6**	0.6
Property	1.5	-	-	-	-	-	**1.5**	2.4
Fixed Income	5.1	-	-	-	-	-	**5.1**	1.6
Total Investments	42.4	22.5	12.7	19.8	6.2	5.3	**109.8**	104.6
Net Cash/(Gearing)	(9.8)	-	(1.5)	0.5	-	-	**(10.8)**	(4.7)
Other Net Assets	1.0	-	-	-	-	-	**1.0**	0.1
Net Assets	33.6	22.5	11.2	20.3	6.2	5.3	**100.0**	100.0
Net Assets 2010	39.0	21.6	12.0	13.7	12.1	0.8	**100.0**	

Performance Attribution

Sector	Portfolio Weight %	Portfolio Return %	Index Return %	Sector Allocation %	Stock Selection %	Currency Effect %	Total Effect %
UK	32.6	19.4	18.1	0.1	1.0	0.0	1.0
North America	25.1	20.7	24.7	0.3	-3.9	0.4	-3.2
Europe	13.6	15.2	15.3	0.1	-1.1	0.8	-0.1
Asia	25.7	21.2	21.1	2.3	0.0	-2.2	0.1
Global	2.0	17.3	20.1	0.9	-3.5	0.3	-2.3
Emerging Markets	1.0	19.1	22.1	2.0	-3.0	-1.5	-2.5

Portfolio Breakdown

UK

% of Quoted Equities Jan 2011

32%

North America

% of Quoted Equities Jan 2011

23%

Europe

% of Quoted Equities Jan 2011

13%

Asia

% of Quoted Equities Jan 2011

20%

Global

% of Quoted Equities Jan 2011

6%

Emerging Markets

% of Quoted Equities Jan 2011

6%

UK

Portfolio performance
(12 months to Jan 2011)

UK Portfolio

+19.4%

Benchmark Index

+18.1%

Relative performance

+1.0%

% of Quoted Equities

Jan'11	Jan'10
32%	38%

Background

Our ability to perform in-depth analysis of global trends, both positive and negative, aided by close engagement with our other regional investment teams helped us to maintain a high conviction portfolio of quality UK companies in a volatile year for the UK stock market. Over the past 12 months our strategy has been to invest in companies with diverse market exposure, both geographically and industrially, whose prospects are driven more by global than domestic forces, and therefore have a high proportion of overseas earnings. This has helped our UK portfolio to outperform its benchmark over the year. In particular, we maintained faith in the Asian led economic cycle and identified themes and companies likely to do well from this. These included holdings in Financials such as HSBC, Standard Chartered and Prudential.

Performance and Activity

The strongest contributions to portfolio performance came from the engineering companies such as Weir Group, Petrofac, IMI and Rotork and the miners Rio Tinto and BHP Billiton. Individual holdings which also performed strongly included Legal & General and Carillion. These stocks were driven primarily by a combination of good earnings growth and operational delivery in their end markets. Both companies benefited from a re-rating as the market became more convinced of the quality of their management and the market opportunity open to each of them.

We reduced our holdings in companies reliant on discretionary consumer spending in the first half of the year due to the difficult economic environment facing the consumer and this also contributed to our positive relative performance. We increased our holding in BP in June, following the catastrophic Macondo oil spill, as our analysis suggested that there was significant value within the company's equity. The shares performed well over the second half of the year and, although a number of legal uncertainties persist, a quarterly dividend payment has now been restored.

Outlook

Looking ahead, expectations for robust earnings and dividend growth for 2011 give a positive backdrop to the UK stock market although volatility is likely to remain a feature. Our portfolio is well balanced between positive exposure to demand-led Asian growth opportunities, medium-term structural growth companies and individual stock specific ideas. We expect companies which are dependent on consumer discretionary spending to continue to experience challenging demand conditions. Opportunities may arise should domestic economic conditions become more firmly founded, as valuations in this area have retreated.

Performance Attribution

FTSE Industry	Portfolio Weight %	Portfolio Return %	Index Return %	Sector Allocation %	Stock Selection %	Total Effect %
Oil & Gas	20.5	15.4	13.2	-0.1	0.3	0.2
Basic Materials	12.6	35.0	33.6	0.2	0.2	0.3
Industrials	9.3	38.5	30.0	0.5	0.8	1.3
Consumer Goods	12.3	15.4	12.6	-0.1	0.3	0.2
Health Care	8.6	2.1	5.0	-0.2	-0.2	-0.4
Consumer Services	7.6	4.8	13.9	0.0	-0.6	-0.6
Utilities	5.2	11.5	14.5	0.0	0.0	0.0
Telecommunications	3.1	34.0	34.1	-0.2	0.0	-0.2
Financials	20.7	16.9	14.5	0.0	0.3	0.4
Technology	0.0	0.0	35.2	-0.2	0.0	-0.2
Total	**100.0**	19.4	**18.1**	0.1	1.0	1.0

Holdings Data as of: UK Region 29 Jan 2010 – 31 Jan 2011; FTSE All Share 1 Feb 2010 – 31 Jan 2011

North America

Portfolio performance
(12 months to Jan 2011)

North American Portfolio

+20.7%

Benchmark Index

+24.7%

Relative performance

(3.2%)

% of Quoted Equities

Jan'11 **23%** | Jan'10 **22%**

Background

The US stock market had a volatile year, driven by swings in sentiment over the health of the US economy. Equities performed strongly buoyed by some signs of economic expansion and growing business confidence. Corporate earnings experienced an exceptionally strong recovery as sales growth leveraged the benefits of cost cutting in the previous year.

Performance and Activity

Our portfolio, while showing absolute growth of over 20% for the second successive year, lagged its benchmark, particularly during the rally towards the year end when stocks with a higher cyclical bias or perceived greater recovery potential performed strongly. Our holding in Diamond Offshore had the most negative impact on our performance, falling in value by over a third, as it was hit by the Gulf of Mexico oil spill and the drilling moratorium which followed. As a result of the deterioration in outlook, we sold the holding.

In contrast, we added to our investment in Clean Harbors which is benefiting from its expertise in hazardous waste disposal. Shares in our biggest oil and gas investment, InterOil, had a more volatile year following last year's strong price performance. One of our largest investments, Philip Morris International, performed well, the share price rising by 26% over the year, demonstrating the strength of its global operations and high dividend return to shareholders.

Canada remains a beacon of financial and economic health, demonstrated by the Canadian dollar reaching parity with its US counterpart. GDP and employment have recovered to their pre-recession peak levels and the Bank of Canada has seen fit to raise interest rates. We added to our investments there, purchasing new investments in Yellow Media, a high yielding stock operating the Yellow Pages franchise, and TransCanada Corp, an oil and gas pipeline and electricity producer which should have strong profit growth following a period of significant investment.

Outlook

The US starts the year with good economic momentum which may lead to employment growth. Earnings should continue to grow as business expands, but most likely at a much slower rate than last year as companies cope with rising material, energy and labour costs. Although we expect the market to rise further this year, questions remain over what will happen to the economy when stimulus measures are withdrawn, potentially capping its advance.

Performance Attribution

FTSE Industry	Portfolio Weight %	Portfolio Return %	Index Return %	Sector Allocation %	Stock Selection %	Currency Effect %	Total Effect %
Oil & Gas	17.4	17.9	34.4	0.3	-2.6	0.1	-2.2
Basic Materials	3.9	43.5	48.0	-0.3	-0.2	0.1	-0.5
Industrials	17.3	22.2	34.4	0.4	-1.8	0.2	-1.3
Consumer Goods	7.1	35.0	20.4	0.0	0.8	0.0	0.8
Health Care	13.6	9.4	5.5	-0.5	0.5	0.0	0.0
Consumer Services	6.9	17.1	26.2	0.0	-0.7	0.0	-0.7
Utilities	0.0	-10.1	15.7	0.2	-0.1	0.0	0.0
Telecommunications	4.1	7.0	26.8	0.0	-0.5	0.0	-0.5
Financials	14.1	30.7	18.0	0.4	1.2	0.1	1.7
Technology	15.2	23.7	28.2	0.1	-0.4	0.0	-0.4
Total	**100.0**	**20.7**	**24.7**	**0.3**	**-3.9**	**0.4**	**-3.2**

Holdings Data as of: North America Region 29 Jan 2010 – 31 Jan 2011; FTSE All Cap North America 1 Feb 2010 – 31 Jan 2011

Europe

Portfolio performance
(12 months to Jan 2011)

European Portfolio

+15.2%

Benchmark Index

+15.3%

Relative performance

(0.1%)

% of Quoted Equities

Jan'11	Jan'10
13%	12%

Background

The first half of the year will be remembered as a period of turmoil within the Eurozone as the debt crisis which started in Greece quickly spread to other peripheral countries. In this difficult environment, European stock markets underperformed relative to other global regions. In contrast, the second half saw investors switch to buying riskier assets and in particular companies exposed to Asian industrial growth and commodity stocks in response to the second round of Quantitative Easing in the US.

Performance and Activity

Our relatively defensive portfolio of European stocks helped us to outperform the benchmark in the first half. Accordingly, our holdings in the German healthcare companies Fresenius and Fresenius Medical Care did well, as did our holdings in international food companies such as Nestlé and Danone. Our underweight position in domestic European stocks such as Utilities and Telecommunications also boosted relative performance. The second half of the year, however, proved a much more difficult period as we underestimated just how far sentiment would swing in favour of riskier assets. We did reduce our Healthcare holdings on strength and increased partially the cyclicality of the portfolio with the purchase of holdings in BMW and the temporary employment company, Adecco. These actions were insufficient to maintain the relative performance of the portfolio. Although we are overweight in the industrial sector through positions in Siemens, Deutsche Post and Prysmian, the latter two companies have been overlooked by the market due to either not being "pure play" Asian stocks or their business being a later cycle beneficiary. We have benefited from exposure to the Asian consumer through our holdings in Swatch and BMW.

The Spanish banks, BBVA and Banco Santander, are regarded as long-term winners of the consolidation in the Spanish banking system and have the bulk of their operations outside Spain. Share prices of these holdings have, however, been held back by the tensions within the Eurozone.

Outlook

Our central investment case for the next twelve months is that EU politicians and the European Central Bank will find a solution to rescue the Eurozone, but we will have to monitor closely this situation and its effect on markets. Another key issue will be the actions of authorities in Asia and emerging markets to address nascent inflationary risks. These will influence the sustainability of the momentum trade in commodity and cyclical stocks. Valuations in Europe are attractive but uncertainties persist.

Performance Attribution

FTSE Industry	Portfolio Weight %	Portfolio Return %	Index Return %	Sector Allocation %	Stock Selection %	Currency Effect %	Total Effect %
Oil & Gas	5.0	5.6	12.9	0.0	-0.3	0.0	-0.3
Basic Materials	6.4	30.2	23.4	0.0	0.0	0.4	0.4
Industrials	20.7	19.7	29.4	0.3	-1.3	0.0	-0.9
Consumer Goods	19.5	27.5	26.1	0.1	-0.5	0.7	0.3
Health Care	9.8	9.6	6.5	-0.5	1.2	-0.4	0.3
Consumer Services	4.9	25.6	16.9	-0.3	0.2	0.1	0.0
Utilities	0.0	-1.7	1.7	0.5	-0.1	0.2	0.6
Telecommunications	0.0	-12.4	11.2	0.3	-0.2	0.0	0.1
Financials	23.9	4.9	7.9	-0.3	-0.7	0.0	-1.0
Technology	7.1	22.9	14.0	0.0	0.7	-0.2	0.5
Total	**100.0**	**15.2**	**15.3**	**0.1**	**-1.1**	**0.8**	**-0.1**

Holdings Data as of: Europe Region 29 Jan 2010 – 31 Jan 2011; FTSE All-World Developed Europe Ex UK 1 Feb 2010 – 31 Jan 2011

Asia

Portfolio performance
(12 months to Jan 2011)

Asia Portfolio

+21.2%

Benchmark Index

+21.1%

Relative performance

0.1%

% of Quoted Equities

Jan'11	Jan'10
20%	14%

Background

Over the year, a shift in our Asian portfolio away from developed markets into emerging markets was a key theme. The portfolio's exposure to Korea and the domestic Australian economy was reduced in favour of China, Indonesia and India. The rationale behind these moves was the higher anticipated growth rates in the emerging economies led by domestic demand, specifically from investment and consumption. Within the emerging market context, two key themes dominated the past twelve months: strength in commodities and consumption. China's strong demand persisted, resulting in significant price appreciation in both base and bulk commodities.

Performance and Activity

The portfolio performed slightly ahead of its benchmark over the year, with a rise of over 21%. Exposure to the Resources sector was increased through the purchase of the Australian companies BHP Billiton and Macarthur Coal. Exposure to the commodities supply chain was also increased through the purchase of Orient Overseas (International) Ltd, a Chinese container shipping company, and China Merchants Holdings, China's key operator of ports. Consumption has continued to be a strong secular growth theme in emerging markets. Holdings in two companies offering exposure to Chinese consumption were initiated: Ajisen, a fast-growing restaurant chain and Hengdeli, the largest retailer and distributor of Swiss watches in China.

2010 will be remembered as the year in which China overtook Japan as the world's second largest economy. This was despite Japan's GDP growing by 3.9% – the fastest growth of any G7 economy in 2010. We favoured holdings in Japanese businesses with sustainable competitive advantages and greater exposure to Asian export markets, such as Murata Manufacturing, a leading maker of components for mobile phones and tablets, and SMC Corp, a manufacturer of filtration and factory automation equipment.

Outlook

Inflationary concerns in emerging markets, fuelled by energy and food price increases, are encouraging investors to lock in some gains. We expect developed markets in Asia to fare better than emerging markets in this environment and have increased further our exposure to developed markets such as Australia. We have increased holdings in selected Japanese exporters with technical superiority in automotive efficiency, electronics and industrial engineering. It is anticipated that few of these companies should be overly affected by the recent tragic natural disaster in Japan as many of their operations are based outside of Japan. The Japanese stock market is trading on historically low valuations which should lend some support as rebuilding work gets underway.

Performance Attribution

FTSE Industry	Portfolio Weight %	Portfolio Return %	Index Return %	Sector Allocation %	Stock Selection %	Currency Effect %	Total Effect %
Oil & Gas	4.2	35.3	30.0	0.1	0.2	-0.2	-0.1
Basic Materials	8.6	38.7	26.7	-0.1	0.4	0.3	0.7
Industrials	26.9	25.3	28.9	0.4	-0.3	-0.4	-0.3
Consumer Goods	10.6	22.4	18.1	0.0	0.2	0.0	0.1
Health Care	1.5	16.6	12.7	0.2	0.0	0.0	0.2
Consumer Services	4.5	-3.6	21.4	0.0	-0.2	-0.4	-0.7
Utilities	0.0	0.0	7.9	0.4	0.0	0.0	0.4
Collective Investments	14.1	18.2	0.0	1.1	0.0	-1.4	-0.3
Telecommunications	0.0	0.0	16.7	0.1	0.0	0.1	0.2
Financials	11.9	7.5	17.4	0.3	-0.7	0.3	-0.6
Technology	17.0	22.0	23.4	0.1	-0.3	0.1	-0.1
Total	**100.0**	**21.2**	**21.1**	**2.3**	**0.0**	**-2.2**	**0.1**

Holdings Data as of: Asia Region 29 Jan 2010 – 31 Jan 2011; FTSE All-World Asia Pacific 1 Feb 2010 – 31 Jan 2011

Global

Portfolio performance (12 months to Jan 2011)

Global Portfolio	Benchmark Index	Relative performance	% of Quoted Equities Jan'11	% of Quoted Equities Jan'10
+17.3%	+20.1%	(2.3%)	6%	13%

Our Global portfolio aims to give extra weight to our favoured long-term investments with most of the holdings being selected from the Company's regional portfolios. The main focus of its stock selection is on non-UK quoted equities.

We maintained a positive outlook on global equities throughout year. The Global benchmark rose by 5% in the first half of the year but accelerated over the second half to produce a 20% return for the year. Our cautious positioning within the portfolio, choosing to own solid long-term investments, resulted in the portfolio's returns lagging those of its index. In the first half of the year, £150 million of investments were realised in the portfolio as we re-allocated funds towards the higher growth opportunities available in our Asian and emerging markets portfolios.

Corporate balance sheets and cash flows are strong, the cost of debt is cheap and the cost of equity is relatively expensive, so we expect excess cash to be used more actively by corporations this year, whether through increased dividends and buy-backs, acquisitions, or investments in plant and machinery. These factors should be positive for markets across the world.

Emerging Markets

Portfolio performance (12 months to Jan 2011)

Emerging Market Portfolio	Benchmark Index	Relative performance	% of Quoted Equities Jan'11	% of Quoted Equities Jan'10
+19.1%	+22.1%	(2.5%)	6%	1%

2010 was the year of the emerging market consumer as the sector reached record valuations. Low interest rates led to an increase in spending as the economic recovery gained momentum. In contrast to many in the developed world, the emerging markets' population is not burdened by excessive levels of debt.

Our concentrated portfolio of holdings in Emerging Markets performed strongly until the final quarter of the year when inflationary concerns led to a derating of consumer stocks. We retain our belief in the long term growth of the emerging market consumer.

In Asia, the strongest market performance was in the smaller markets in the South-East of the region. Latin America benefited from the rise in commodity prices. Central Europe, Middle East, and Africa (EMEA) was mixed, with Russia recording strong growth, but South African mining companies facing increasing margin pressures. The Russian government appears willing to encourage greater oil and gas development, which is a positive for its market. At a stock level we favoured Chinese oil name CNOOC and this served the portfolio well as production growth was revised higher through the year. Grupo Mexico, a copper producer, also performed well as demand for the metal increased throughout the year.

Although the short-term market outlook is likely to remain volatile, we believe the structural growth in emerging markets will remain strong over the longer term.

Fixed Income

Fixed Income

+6.0%

% of Net Assets

Jan'11	Jan'10
5%	4%

Background

Our allocation to fixed income securities was increased in the first half of the year following a commitment of £100 million to the Alliance Trust Monthly Income Bond Fund (the Fund). The Fund is invested predominantly in a diversified portfolio of corporate bonds. With an estimated current annual distribution yield of over 6%, the Fund makes a significant contribution to the income generation of our portfolio.

Within bond markets, credit performed strongly, in line with the rally in risk assets during the course of the financial year. All sectors outperformed Gilts with bank credit instruments producing the strongest overall returns, even taking into account the widening of credit spreads in November on the back of debt concerns in peripheral European economies. The funding problems in peripheral Europe and the threat of a second round of Quantitative Easing in the UK pushed 10 year bond yields to new lows. The move proved to be a false dawn as inflation fears and improved economic forecasts helped push yields higher into the year end.

Performance and Activity

The positive return from our holding in the Fund largely reflects the strong performance of the Fund's credit holdings. The Fund maintained a lower duration position than its benchmark index for most of the holding period and this provided some capital protection as government yields rose from November. Since launch, the Fund has produced returns in line with its objectives, by consistently delivering a high level of income, whilst demonstrating lower levels of volatility than benchmark.

During the year our exposure to preference shares was reduced from £17.5 million to £6.3 million, with the proceeds being reinvested into a combination of equities and additional shares in the Fund.

Outlook

We believe that 10 year bond yields are now approaching fair value and that credit spreads are still attractive, with both economic fundamentals and market technical factors supportive of credit spreads over the next 12 months.

Total Returns – MIBF vs Gilts

Source: Bloomberg

Private Equity

% of Net Assets

Jan'11	Jan'10
4%	3%

Since the year end we have announced our intention to close Alliance Trust Equity Partners as part of our strategy to focus on delivering investment performance from our quoted equity and fixed income portfolios. We intend to realise our private equity holdings in an orderly fashion in order to maximise value to shareholders.

The total committed to private equity funds and co-investments as at 31 January 2011 was £308.1 million, of which £114.8 million had been invested. Since the year end we have reduced our commitments by £17 million. Net drawdowns on private equity funds in 2010 were £37.7 million. We continued to reduce our quoted private equity holdings during the year. The quoted private equity portfolio was valued at £10.8 million at the year end, having realised a total of £12.4 million during the year.

Other Assets

% of Net Assets

Jan'11	Jan'10
3%	4%

Gross income from our US mineral rights amounted to £1.4 million compared to £1.6 million last year as gas prices were weaker. During the year we conducted a thorough due diligence exercise on the external management of these assets which resulted in a change of manager in order to achieve a lower fee structure and a more pro-active approach to obtaining new sources of income.

We continue to invest a small proportion of our assets in third party funds which we believe will add value in areas in which we do not have direct expertise. Ashmore Global Opportunities Limited is a closed-ended fund which deploys capital in a diversified portfolio of emerging market strategies with a principal focus on special situations. We have a holding valued at £25 million at 31 January which performed well as global emerging markets rallied.

Our residual direct property portfolio consists of four high quality properties valued at £28.5 million. We made two further disposals during the year in line with our previously stated intention to reduce our direct exposure to UK property. Our direct property portfolio provided gross rental income of £2.5 million over the year.

Financial Services Subsidiaries

Alliance Trust Asset Management

Background

Alliance Trust Asset Management achieved significant progress in its second year of operations. The business was established to offer third party investors the opportunity to access individual areas of expertise within our investment team and now manages a core range of five equity funds and one fixed income fund.

Performance and Activity

The business successfully launched the Alliance Trust Monthly Income Bond Fund in June and completed a scheme of reconstruction whereby the Asia-Pacific and Japanese assets of Premier Alliance Trust Investment Funds were transferred to the Alliance Trust Asia-Pacific Equity Fund and the Alliance Trust Japan Equity Fund respectively.

The Alliance Trust Monthly Income Bond Fund has made a substantial contribution to the growth in third party assets under management, which totalled £83 million at the year end compared to £12 million twelve months earlier. Managed by our team of fixed income specialists, the Fund has been well received by discretionary fund managers seeking income generating investments for their clients. Third party sales in the Fund totalled £57 million from launch in June to the year end.

Our distribution activity has, to date, been focused on the major discretionary fund buyers in the UK and, as our business momentum and assets under management grow, is being extended to target financial intermediaries and fund platforms. During the year more than 300 meetings were held with potential fund buyers. New regulations to be introduced by the FSA's Retail Distribution Review (RDR) at the end of 2012 are expected to increase further the proportion of fund purchases which intermediaries transact through fund platforms. Our funds are currently listed on six of the major fund platforms in the UK, including that of Alliance Trust Savings, and we are aiming to achieve additional listings this year, extending the accessibility of our range.

We have completed, on a selective basis, several proposal questionnaires for institutional mandates. We anticipate greater activity in this area as we continue to build our performance track record.

We have strengthened the marketing capabilities of the business over the year. Brand awareness is a key factor in the decision-making process of fund buyers in the investment funds industry. We have delivered a number of focused advertising campaigns and contributed to the debate on fund industry issues such as RDR in the specialist financial media throughout the year which have been successful in increasing our business profile.

Operating costs for the year amounted to £5.0 million as we continued to invest for growth of the business in accordance with our medium term plan. The loss was £3.4 million in line with expectations at this stage of development.

Outlook

We anticipate, on a selective basis, adding further funds to our range, which will aim to draw upon our team's strengths in equity and fixed income investing in order to provide solutions to identified needs of investors. Our relationship with Alliance Trust Savings is important in this regard. Clients of Alliance Trust Savings held a total of £15.3 million in our funds at 31 January.

We expect Alliance Trust Asset Management to deliver long-term value to the Company's shareholders as it grows its external assets under management and enhances the Company's ability to attract and retain high quality investment managers.

Alliance Trust Savings

Background

Alliance Trust Savings has achieved significant progress over the last two years and it is pleasing to report that the rate of progress accelerated during the past year. Alliance Trust Savings supports the creation and management of wealth through the ability to research, buy and sell a wide range of investments, the provision of tax efficient products and the ability to aggregate the administration of investments in one place.

Alliance Trust Savings is one of the leading providers of Self Invested Personal Pensions ("SIPP") in the UK, but we are increasingly known for our share and investment dealing platform, i.nvest, which was successfully relaunched during the year and also our Stocks & Shares ISA. In November we were awarded the title of "Best Stocks & Shares ISA Provider" by "What Investment" magazine, for the fourth consecutive year.

Alliance Trust Savings also plays an important strategic role in increasing demand for both the Trust's shares and Asset Management Funds. Some 44% of Alliance Trust Savings clients are also shareholders of the Trust and some £8.6m has been invested into our own Fund range through our platform during the year. It is anticipated that the level of demand will increase further as we now actively seek to grow client numbers.

Performance and Activity

During the first half of the year we undertook an investment programme focused on providing a better service and a more comprehensive product offering. In addition we improved systems and automation to underpin profitable growth. The latter part of the year was characterised by a material strengthening of the distribution capabilities of the business with the creation of a marketing function and a dedicated sales team to help us grow the business. We commenced an intensive IFA visit programme with over 320 meetings held in the last four months of the year, the feedback from which has been positive.

The i.nvest dealing platform has been completely redeveloped and it now represents one of the UK's leading investment platforms. It offers an extensive investment choice along with enhanced investment tools and services for both private clients and advisors. We also have a number of further developments planned for this year with same day trading, a monthly dealing facility and foreign equities all due to go live in the first half of 2011. Our unique business model is based on a simple flat fee structure, which is increasingly receiving significant profile and interest across the media and industry alike. Specifically, unlike many of our competitors, we return all commissions received from fund management groups back to our clients. As a result of this model we are one of the few firms ideally placed to benefit from the fundamental changes which will result from the FSA's Retail Distribution Review which is expected to be implemented at the end of 2012.

Alliance Trust Savings made strong financial progress during the year with the loss for the year reducing some 30% to £5.4 million. Revenues grew strongly for the year to £12.8 million compared with £9.9 million last year. Operating costs for the year were tightly controlled increasing only 3% to £18.2 million (£17.7 million), whilst maintaining significant investment in systems and people. The benefit of this investment will be increasingly evident as the business is now well placed to grow volumes at a relatively low additional cost, increasing both margins and financial performance.

Outlook

The focus for Alliance Trust Savings is to continue to grow the business based upon the solid foundations now in place to deliver sustainable long term value to shareholders.

Financial Performance

Company Total Return

The Company generates returns through revenue earnings and capital growth. For the year ended 31 January 2011 the revenue earnings per share were 9.67p (9.14p) and the capital gain per share was 58.93p (60.45p) representing a total gain per share of 68.60p (69.59p).

Company Revenue Performance

Revenue earned from the Company's assets increased by 6.9% to £86.8 million (£81.2 million). Income from securities increased to £81.6 million (£73.9 million) due to increased dividend receipts and increased net debt.

Reductions in gas prices during the year reduced mineral rights income to £1.4 million (£1.6 million) and rental income on the Company's property portfolio reduced to £3.5 million (£4.5 million), following the sale of two properties during the year.

Company Capital Performance

Last year saw a continued recovery in the financial markets and our net asset value per share rose by 16.2% (19.2%). Gains on our investment portfolio totalled £391.9 million (£410.2 million).

Company Expenses

The Total Expense Ratio (TER) for the period was 0.63% (0.69%).

The Company continued to act decisively to manage the cost base. Further efficiencies were delivered from a new supplier management framework, reducing costs on information systems, although this was offset by higher overseas custody costs as we increased our exposure to Asia and Emerging Markets. We invested in new computer servers and infrastructure hosting capability to ensure we are able to meet industry best practice. The Company expenses also include necessary professional expenses associated with preparing a response to the AGM requisitions submitted by Laxey Partners in December 2010. As a result, Company expenditure increased to £17.0 million (£16.0 million).

Financial year end

The Company's financial year end will be changing to 31 December in order to aid investment performance comparison. Our next year end will be 31 December 2011. There is no anticipated cost implication as a result of this change.

Dividend

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

Having paid three interim dividends of 2.0625p for last year, the Directors have declared a fourth interim dividend of 2.2075p per share payable on 3 May 2011. The total dividend for the year, of 8.395p, is an increase of 3.0% on the 8.15p paid for the previous year.

In the absence of any unforeseen developments, we expect to be able to recommend quarterly interim dividends of 2.141p, payable on or around 30 June 2011, 30 September 2011, 3 January 2012 and a fourth interim dividend of at least 2.141p, payable on or around 2 April 2012. These dates reflect the change of the Company's financial year end to 31 December.

Consolidated Results

For the year ended 31 January 2011 the consolidated gain per share was 68.46p (69.76p) comprising revenue earning per share of 8.20p (7.57p) and capital gain per share of 60.26p (62.19p).

Consolidated administrative expenses charged against revenue profits were £38.1 million (£36.8 million). Consolidated administrative expenses charged against capital profits were £2.7 million (£1.3 million).

Subsidiaries

Both of our subsidiaries have made good progress during the year as outlined on pages 18 and 19. Alliance Trust Asset Management made a loss of £3.4 million (£2.8 million) in line with our start up plan for the business. Alliance Trust Savings made a loss of £5.4 million (£7.7 million) benefiting from increased sales, tight control of costs and enhanced cash management.

Cash Flows, Liquidity Position and Borrowing Facilities

We have continued to increase net debt as our confidence grew in the recovery of global equity markets. At 31 January 2011 we had net debt of 11% (5%). The Company had committed funding lines of £450 million (£200 million) in place at the year end and good covenant cover. The vast majority of the Company's assets are quoted equities which are readily realisable.

Five Year Record

Assets at 31 January

£m	**2007**	**2008**	**2009**	**2010**	**2011**
Total assets	2,844	2,894	2,211	2,704	3,268
Loans	0	(159)	(50)	(160)	(339)
Net assets	2,832	2,699	2,123	2,513	2,895

Net Asset Value at 31 January	**2007**	**2008**	**2009**	**2010**	**2011**
NAV per share	421.5p	402.3p	316.8p	377.7p	439.0p
NAV return on 100p – 5 years*					120.2p

Share Price at 31 January	**2007**	**2008**	**2009**	**2010**	**2011**
Mid-market price per share	365.5p	338.0p	268.0p	313.0p	364.0p
Share price High	380.7p	386.2p	353.7p	337.0p	377.9p
Share price Low	316.2p	321.2p	218.0p	233.0p	293.5p
Total shareholder return on 100p – 5 years*					118.6p

Revenue for the year ended 31 January	**2007**	**2008**	**2009**	**2010**	**2011**
Profit after tax	£52.5m	£61.5m	£69.5m	£61.1m	£63.8m
Earnings per share	8.66p	9.17p	10.37p	9.14p	9.67p
Dividends per share† ‡	7.575p	7.90p	8.00p	8.15p	8.395p

Performance (rebased at 31 January 2007)	**2007**	**2008**	**2009**	**2010**	**2011**
NAV per share	100	95	75	90	104
Mid-market price per share	100	92	73	86	100
Earnings per share	100	106	120	106	112
Dividends per share	100	104	106	108	111

Cost of running the Company for the year ended 31 January	**2007**	**2008**	**2009**	**2010**	**2011**
Administrative Expenses	£10.1m	£15.0m	£16.8m	£16.0m	£17.0m
Expressed as a percentage of average net assets:					
Total Expense Ratio	0.39%	0.54%	0.70%	0.69%	0.63%

Net Debt at 31 January

%	**2007**	**2008**	**2009**	**2010**	**2011**
Net cash/(debt)	7%	(5%)	12%	(5%)	(11%)

* Source: Morningstar UK Limited
† 2009 excludes special dividend of 0.5p
‡ 2007 is not adjusted for Second Alliance Trust income prior to merger in June 2006

Risk Factors & Risk Management

The following section sets out our approach to risk management and focuses on the key risks which we believe could impact on the performance of the business. Effective risk management is a key component of the business's operating model and assists in ensuring that the different parts of the business operate within acceptable risk parameters.

The Board has overall responsibility for setting the level of risk which it is prepared to accept. The risk framework is overseen by the Risk Committee, which meets at least quarterly, is chaired by the Finance Director and is made up of representatives from Alliance Trust and each of its regulated subsidiaries. The Risk Committee has oversight of the risk and controls self-assessment exercise and the operation of the risk framework as a whole. Each business unit maintains and reviews its risk register and the controls in place to mitigate, reduce or prevent loss arising from their key risks. A common risk categorisation is in place for all business units.

We continue to enhance the Risk Framework and over the year undertook an external review of our current risk management practices to help us identify other areas, based on experience of emerging practices across the industry, for development.

This year the Board, as a whole, participated in a workshop to fully debate the risk framework within the group and review the risk appetite statement. This articulates the Board's position on liquidity, adequacy of capital, investment, operations and remuneration.

As part of the current work to refresh the Risk Management Framework, a single group wide system and process to capture, consolidate and report on Risk within Alliance Trust and its subsidiary companies was created. This allows us to capture risks, controls, events and action plans and to provide comprehensive reporting for Alliance Trust and the subsidiary companies.

The key risks and mitigating actions are discussed below:-

Risk	Mitigation
Investment (Market) – unfavourable market moves or volatility. The risk typically arises from equity, property and bond exposures, and the impact of interest rates and property values.	The Asset Allocation Committee meets monthly to manage the allocation of the capital of the Company between and among the asset classes approved by the Board and within the risk parameters, policies and other limits and guidelines set by the Board from time to time and with a view to the income derived from the Company's assets.
Liquidity – the risk that the Company/subsidiary does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at an excessive cost.	Cash is managed on a daily basis. The bulk of the Trust's investments are quoted equities which may be realised at short notice if required.
Credit – the risk that Alliance Trust or one of its regulated subsidiaries has insufficient capital to meet its regulatory capital requirements; that the group has insufficient capital to provide a stable resource to absorb any losses up to the confidence levels defined by the group; that the group loses reputational status as a result of having capital that is regarded as inappropriate either in quantity, type or distribution; or that the capital structure is inefficient.	The Company, and its regulated subsidiary companies, comply with the requirements of the Internal Capital Adequacy Assessment Process ('ICAAP') under Basel II. This means that the Company considers the risks to which it is, or could be, exposed in order to ensure that there is sufficient capital adequacy on an ongoing basis.
Reputational – the risk that the value of the Company is diminished due to adverse publicity regarding the way in which it does business.	The Company has a risk framework in place to reduce the likelihood of such a loss event taking place. In addition, the Company has in place arrangements to enable it to respond to and minimise the impact of any adverse incident.
Strategic – a strategy that does not maximise value and/or fails to achieve the initiatives in the agreed strategic plan due to changing or flawed assumptions.	The Board allocates time at each Board meeting to consider the implications of the Company's strategy, both for investment and the subsidiary businesses. Separately, the different Boards within the Group measure their performance against agreed business objectives.

Risk	Mitigation
Credit and Counterparty – the failure of a party with which we have contracted to meet its obligations both on and off the balance sheet.	Management measure exposure to counterparties on a daily basis. Counterparty exposures are set by the Authorisation Committee and take into account credit as well as investment exposure.
Operational –	
Legal, Regulatory and disclosure – loss arising from failure to comply with applicable laws, regulations and codes.	The Company has separate legal, compliance and internal audit functions to keep the business apprised of regulatory developments.
Customer Treatment – loss arising from inappropriate or poor customer treatment.	Our regulated subsidiaries, Alliance Trust Savings and Alliance Trust Asset Management, monitor this via regular management information on Treating Customers Fairly metrics.
Process and Resources – loss arising from inadequate or failed internal processes and systems.	Staff members have individual objectives and their performance is assessed against these. Investment managers operate within parameters set by the Asset Allocation Committee which in turn operates within limits set by the Board. Management Information from performance and risk measurement systems are reviewed by management committees and the Boards.
Theft and other criminal acts – loss associated with financial crime or the failure to put in place effective systems and controls to comply with regulatory and legal responsibilities to detect and prevent financial crime.	We take care to segregate duties between front and back office functions. We do not handle cash. We have anti-money laundering requirements in place and enforced.
Financial and Prudential Reporting – the risk of adopting inappropriate accounting policies; ineffective controls over financial and regulatory reporting.	The Board receives its internal accounts at each meeting. The Audit Committee reviews the internal controls of the Company and its subsidiaries. During the year it met on six occasions. At the year end the accounts are subject to external audit.
People – loss arising from inappropriate behaviour, industrial action or health and safety issues. This includes the failure to retain and motivate staff and to recruit appropriately skilled staff to fulfil the business objectives.	Policies are in place to ensure effective remuneration and that an appropriate working environment is maintained throughout the Group. Employee Key Performance Indicators such as absence and turnover are monitored regularly by management.
Management of change – loss arising from projects and business change failing to be introduced on time and within budget, and failure to realise the intended benefits.	Major projects are considered and monitored by a Project Control Group or other senior committee.
Management of third party suppliers – loss arising from the service failure from a third party arising due to inadequate contractual arrangements; failure to manage third party, or a failed or discontinued service.	A supplier framework is in place to ensure that the appointment, creation and review of contracts and management of third parties appointed are appropriate.
Business continuity – loss arising from the interruption or disruption to critical processes and could include building unavailability; lack of IT services; environmental hazards; unavailability of human resources or an inadequate response to disruption from flawed or insufficient planning.	The Company has tested business continuity management processes and plans in place.

Further information on financial instruments and risk as required by IFRS7 can be found on pages 79 to 85.

Corporate Responsibility

By adopting a responsible approach to our dealings with four key stakeholders other than our shareholders, we believe that we create a more sustainable basis for the continuing progress of the Company and so are better-placed to create long-term value for shareholders.

In the paragraphs below we report on our activities with reference to four headings reflecting each of these stakeholders – marketplace, workplace, community and environment.

Marketplace – the businesses in which we operate, both as an investment company and through our subsidiaries

Responsible investment is a cornerstone of Alliance Trust's investment process. We welcome the implementation of the Stewardship Code by the Financial Reporting Council during the year. This sets out a strong framework within which investors can act responsibly in their engagement with the companies in which they invest. Both Alliance Trust PLC and Alliance Trust Asset Management adopted the Code during the year and introduced a number of enhancements to their existing procedures to ensure compliance with all the principles of the Code. We outline below how we have engaged with our investee companies during the year and how the Code's principles have been applied.

We combine detailed financial analysis of the companies in which we invest with a thorough review of their Environmental, Social and Governance (ESG) profile. This assessment gives us a better insight into the non-financial risks which may adversely impact on a company's valuation and enables us to take this into account in our investment decisions. We meet regularly with the management of companies to assess all aspects of their performance and to raise any concerns. Alongside our ongoing monitoring of companies' strategy and performance, we will consider whether action is appropriate to escalate any concerns.

Our policy is to exercise the voting rights attaching to the shares we own after careful consideration of company proposals. In doing so, we have regard to our stewardship policies and any actual or potential conflicts of interest. In most cases we follow the recommendation of management but we vote against management or abstain where we believe that the recommendation carries significant governance risks or is otherwise not in shareholders' interests.

During the year ended 31 January 2011 we voted as follows:

In favour of management recommendations	137
Against management recommendations	8
Abstentions	3

Votes against management included three occasions where we voted in favour of having an advisory vote on executive remuneration and another two votes again on remuneration issues, in each case relating to US companies. We also voted to maintain a prohibition on the Directors of one of our Asian investments participating in competitive businesses.

Our stewardship policy statements and full details of our quarterly voting activity are published on the Alliance Trust PLC and Alliance Trust Asset Management websites.

We adopt the same approach to engagement with our own shareholders, meeting with both individual and institutional shareholders on a regular basis throughout the year. We also publish monthly investment performance reports on our website.

Our subsidiary businesses offer a range of financial services products all of which operate within a regulatory framework which promotes customer interests through the Treating Customers Fairly principles. We also adopt pricing structures which are intended to share the costs of these businesses among their customers on an equitable basis. This is also supported by a range of policies on issues such as gifts and hospitality and conflicts of interests to avoid any bias which might act to customers' detriment.

Workplace – providing an environment in which each of our employees has an equal chance to develop their full potential

We are committed to promoting a culture across the company which removes all forms of unlawful discrimination and encourages all employees to treat each other with consideration and respect in an environment which allows individual performance to be recognised and rewarded.

We have adopted a comprehensive range of policies which are intended to meet this objective as well as ensuring that we comply with our health and safety requirements and treat disabled employees in accordance with our statutory obligations. Employees have access to a confidential whistleblowing facility through which they can raise any issues or concerns independently from their own line management.

It is important that our employees have a good understanding of the company's activities and its progress against its corporate objectives. As well as team meetings, regular company-wide briefings led by senior management of each business area provide this information. Over 70% of our employees are shareholders in the company, with an average holding of over 5,000 shares, giving them a real interest in the company's success. This is encouraged through the All-Employee Share Ownership Plan which offers all qualifying staff an annual allocation of shares based on company performance.

We provide a flexible benefits programme to employees with offers them the opportunity to structure their remuneration package according to their own circumstances, for example by purchasing up to five additional days' holiday or childcare vouchers. In 2011 we launched a dental plan, a "Bikes for Work" benefit and an online discount site for employees as well as a confidential counselling service.

We undertook a second employee opinion survey during the year. Carried out by an independent research company to maintain confidentiality, this achieved a 76% response rate from employees, up from 67% for the previous survey. This showed improvements resulting from a number of actions taken in response to the previous survey, notably increased training and development activity, and also identified areas for action both across the organisation and within individual business areas.

Community – ensuring that our reputation is maintained and enhanced within the communities from which our investors, customers and employees are drawn

Our staff foundation was set up to raise money through employee fund raising events. The Company matches funds raised by employees, using unclaimed dividends returned to the Company as a result of the shareholder concerned becoming untraceable. The foundation is supported by the Scottish Community Foundation, which offers guidance and support both in identification and screening of requests for assistance and in the administration of the foundation. However decisions on which organisations to support are made by employees through the foundation.

One donation was approved during the year, of £3,500, to Factory Skatepark. This Dundee-based sports centre provides youth services such as homework clubs, a youth club and IT support classes.

As reported last year we have introduced a volunteering policy which allows employees to take up to two days additional leave to act as unpaid volunteers for local organisations. During the year ended 31 January 2011 a total of 45 days were spent by employees at the Brae Dundee Riding Ability Centre, part of the National Riding for the Disabled Association, helping with the work of the Centre.

During 2011 the Company has agreed to sponsor the Alliance Trust Cateran Yomp. This 54 mile team event based on the Cateran Trail in Perthshire will raise funds for both ABF The Soldiers' Charity and the staff foundation to support local community groups and charities. The staff foundation has decided that a substantial part of its proportion should be directed towards the Prince's Scottish Youth Business Trust, in order to provide support for its work with the disadvantaged and to assist young entrepreneurs starting up their own businesses.

Environment – acting responsibly in our consumption of natural resources and energy

Our principal office at West Marketgait was designed with environmental considerations in mind and maximises energy efficiency and recycling opportunities through a combination of building management systems, motion-sensitive lighting, rainwater harvesting and recycling of paper and cardboard. We use paper from sustainable sources wherever practicable and cost-effective. Computer equipment is either refurbished or recycled, in line with the

European Waste Electrical and Electronic Equipment (WEEE) guidelines, at the end of its useful life.

We encourage shareholders and clients to use electronic communications. Over 5% of our shareholders receive our annual report and other shareholder communications electronically. 51% of clients of Alliance Trust Savings can access our online share dealing service and 29% of its statements and valuations are issued electronically. We continue to promote these services which benefit both the Company through reduced costs and the environment through reduced paper usage.

Carbon footprint reporting

We report on carbon dioxide (CO_2) emissions based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard using:

Scope 1: gas, fuel oil, refrigerant loss

Scope 2: non-renewable electricity purchased

Scope 3: business travel by personal car, air and rail

Our CO2 emissions during the year amounted to 988 tonnes, a net decrease of 29% from the previous year. This represents 3.81 tonnes per full-time employee. The decrease is attributable to reductions in electricity and gas consumption of 35% and 29% respectively following the move to our new premises in Dundee during the previous year. This was offset by an increase of 10% in air travel, reflecting changes in the equity portfolio in favour of non-UK investments during the year. A breakdown is shown below.

Corporate Carbon Footprint

Alliance Trust 2010/11 (Tonnes CO_2)

Source: Alliance Trust

Directors

1

2

3

Chairman

1. Lesley Knox MA ◆

Joined the Board 2001; appointed Chairman 2004

Chairman of the Nomination Committee

Lesley Knox (57) graduated with an MA in Law from the University of Cambridge, qualified as a lawyer and worked in the UK and US. Subsequently, she worked as a corporate finance adviser, first with Kleinwort Benson, where in 1996 she became a group director. She was also Head of Institutional Asset Management at Kleinwort Benson Investment Management which provided investment services to clients worldwide.

She is Chairman of Grosvenor Group Ltd and a trustee of the Grosvenor Trusts. She is the Senior Non-Executive Director of Hays PLC. She is Chairman of the Turcan Connell Investment Board and is Chairman of Dundee Design Ltd.

■ Member of the Audit Committee
● Member of the Remuneration Committee
◆ Member of the Nomination Committee

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Non-Executive Directors

2. Christopher Masters CBE FRSE BSc PhD AKC ■●◆
Senior Independent Director

Joined the Board 2002

Chairman of the Remuneration Committee

Christopher Masters (63) took his doctorate in Chemistry at the University of Leeds and worked for Shell in both the UK and the Netherlands. He joined Christian Salvesen as business development manager in 1979, becoming Director of Planning for its US operation and Chief Executive from 1989 to 1997. He was then appointed Executive Chairman of Aggreko PLC, a post he held until January 2002. He is Chairman of the Festival City Theatres Trust.

Other directorships include The Crown Agents and John Wood Group PLC

3. Hugh Bolland BA (Hons) ■●◆

Joined the Board 2007

Hugh Bolland (64) graduated with a BA (Hons) in Economics and Statistics from the University of Exeter. In 1968, he became an economist with the Bank of New South Wales in Australia. In 1970, he joined Schroder Investment Management in London. In 1982, he was appointed Investment Director and then Managing Director of Schroders in Hong Kong and later Chief Executive of Schroders Australia. After returning to the UK he became Chairman of Schroder Unit Trusts, Chief Executive and latterly Vice Chairman of Schroder Investment Management. He retired from Schroders in 2000.

He is a Non-Executive Director of JP Morgan Indian Investment Trust PLC, Fidelity Asian Values PLC and Dutch listed Eurocommercial Properties N.V.

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4. John Hylands BSc ■●◆

Joined the Board 2008

Chairman of the Audit Committee

John Hylands (59) graduated with a BSc in Mathematics from the University of Glasgow. He joined Standard Life in 1979 and qualified as an actuary in 1982. His career at Standard Life spanned 28 years and included various actuarial, finance and management positions including serving as Finance Director from 2001 to 2005.

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

5. Timothy Ingram MA MBA FCIB ■●◆

Joined the Board 2010

Timothy Ingram (63) graduated with an MA in Economics from the University of Cambridge and an MBA from INSEAD Business School. After an early career in international banking he was Finance Director, Chief Executive and later Chairman of First National Finance Corporation. He was a Managing Director of Abbey National from 1996 to 2002 and Chief Executive of Caledonia Investments PLC from 2002 until July 2010. He was a Non-Executive Director of ANZ Bank (Europe) Limited until 2010. He chairs the Fulham Palace Trust.

He is Chairman of Collins Stewart PLC, Senior Independent Director of Savills PLC and he is a Non-Executive Director of Alok Industries Limited.

6. Clare Sheikh MA ●◆

Joined the Board 2005

Clare Sheikh (47) graduated with an MA in English from the University of Cambridge. In 1987, she joined Boston Consulting Group as a management consultant, working in London and Madrid. She gained considerable experience in financial services and was Consumer Marketing Director for the Prudential before joining Avis Europe as Group Marketing Director. After a brief spell at Transacsys PLC she joined Centrica PLC, becoming Managing Director of AA Financial Services before joining the commercial television network ITV as Marketing Director in 2005. She left ITV in January 2007 and is now Group Strategy, Marketing and Customer Director of Royal and Sun Alliance Insurance Group.

She is a Non-Executive director of Codan Forsikring, a major Danish insurance company.

Executive Directors

7. Katherine Garrett-Cox BA (Hons) ASIP ◆
Chief Executive

Joined the Company as Chief Investment Officer in 2007 and appointed Chief Executive in 2008.

Katherine Garrett-Cox (43) graduated with a BA (Hons) in History from Durham University and is a member of the UK Society of Investment Professionals; CFA Institute. She was nominated a Young Global Leader of the World Economic Forum in October 2005, is a Trustee of the Baring Foundation and sits on the Board of Fellows of the Thunderbird School of Global Management, Arizona. She is a Founder Member of the Advisory Council of TheCityUK. In her role she is responsible for both the investment policy and asset allocation of the company as well as executive oversight for the business. She has more than 21 years' experience in the investment industry, having managed North American, Emerging Market and Global Equities portfolios.

She was Chief Investment Officer and Executive Director of Morley Fund Management, the fund management division of Aviva where she was responsible for more than £160bn invested in equities, fixed income, private equity and alternatives. Prior to that, Katherine was Chief Investment Officer and Executive Director of Aberdeen Asset Management PLC. She began her career as a Portfolio Manager at Hill Samuel Asset Management, where she was Investment Director, Head of American Equities, managing a range of retail and institutional mandates in excess of $5.5bn.

8. Robert Burgess BSc (Hons) ACIB
Director and Chief Executive, Alliance Trust Savings

Joined the Board 2009

Robert Burgess (45) is a graduate of Manchester Business School and is an Associate of the Chartered Institute of Bankers.

He has extensive retail financial services experience. Previously, he managed the retail and business banking sectors of Lloyds TSB Scotland as an Executive Director and was subsequently Regional Director for its retail banking business in London and the South East.

Between these roles, he was Strategic Future Business Programme Director for Lloyds TSB's subsidiary, Scottish Widows. More recently, he was Executive Director, Sales and Distribution, for Thomas Cook UK and also spent time at the Bank of England.

9. Alan Trotter BAcc (Hons) LLB CA CTA
Finance Director

Joined the Board 2010

Alan Trotter (42) graduated with a BAcc (Hons) in Accountancy from the University of Glasgow and with a LLB from the University of London. In 1990 he joined Ernst & Young, qualifying as a chartered accountant in 1993 and a chartered tax adviser in 1995. He gained considerable experience in financial services with them in both the UK and Hong Kong.

In 1996 he joined Standard Life as Finance Manager responsible for Group statutory and regulatory reporting before moving to the newly established Standard Life Bank as Senior Finance Manager.

He joined the Finance department of The Royal Bank of Scotland in 2001 specialising in group corporate finance. He left to join Legal and General in 2007 as Group Corporate Development Director with responsibility for the UK Central Finance function and delivery of the Group's cost challenge. He is a member of the University of Edinburgh Audit Committee.

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Corporate Governance

'This section of the report explains how we approach the governance of the Company and the way in which the Board ensures that it operates to a high standard. We explain the importance that we attach to adhering to such standards and the way in which this helps to improve our business and reduce risk for our shareholders.

The Board confirms that throughout the year the Company has complied with the principles of the Combined Code on Corporate Governance issued in June 2008. During the year we considered the terms of the UK Corporate Governance Code issued in June 2010 which will be applicable to us from our next financial year and are pleased to confirm that we are also in compliance with its provisions. The Board has also considered the principles of the AIC Code of Corporate Governance ("AIC Code") issued in October 2010. The AIC Code addresses all of the principles set out in the UK Corporate Governance Code, as well as setting out additional principles on issues that are of specific relevance to investment companies such as Alliance Trust. The Company has complied with the principles of the AIC Code.'

Lesley Knox, Chairman

The Board

The Board is responsible for setting the long-term objectives of the Company, approving its business plans and strategic direction. It serves to provide the business with a framework of prudent controls to enable risk to be managed effectively. It provides leadership to management, reviews the performance of the business and ensures that the high standards of corporate governance to which the Board has subscribed are met in practice.

The Board, at the year end, comprised the Chairman, five Non-Executive Directors and three Executive Directors. In the course of the year the Board composition changed with the appointment of Timothy Ingram on 24 September 2010. A summary of the experience of the Directors can be found on pages 28 and 29.

Board Structure

All Directors acknowledge that they are responsible for the decisions taken by the Board. The Board has been structured to provide a range of different skills and experience. The majority of the Board are Non-Executive Directors. The Chairman was considered independent upon appointment and none of the Non-Executive Directors has had a previous relationship with the Company other than as shareholder. The Non-Executive Directors take no part in day to day management, however between them they have significant experience operating at Board level in the fields of Investment Trusts, Financial Services, Asset Management, and Insurance as well as more general senior level experience in other industries, thereby bringing a different perspective to Board discussions. Only one of the Non-Executive Directors during the year had a current executive role and all have confirmed that they have sufficient time available to carry out their role. This accumulated experience plays an important part in constructively challenging management, helping to develop strategy and monitoring its delivery.

In addition to the Board meetings the Directors may also be members of committees of the Board or directors of or attendees at meetings of subsidiary boards. The Non-Executive Directors meet during the year to discuss management succession and other matters in the absence of Executive Directors and have also met without the Chairman present to review her performance.

The Chairman is Lesley Knox and her role is clearly established and set out in writing to ensure that her responsibilities are differentiated from those of the Chief Executive. She is responsible for promoting a culture of openness and debate ensuring that adequate time is made available for full discussion. In this respect see Board Meetings on page 31 which explains how our meeting timetable has been changed to facilitate this. She has also instigated a process of annual development reviews with the Directors to agree training and development needs.

The Senior Independent Director is Christopher Masters. He is responsible for dealing with shareholders who believe it is inappropriate to raise matters with the Chairman or the Chief Executive and to act as an intermediary for the other Non-Executive Directors. His other main responsibilities are to lead the review of the Chairman's performance with the other Non-Executive Directors and to provide a sounding board for the Chairman.

The Chief Executive and Chief Investment Officer is Katherine Garrett-Cox.

The following Directors held office during the year:

Name	Designation	Appointed
Lesley Knox	Chairman	15 June 2001
Katherine Garrett-Cox	Chief Executive	1 May 2007
Christopher Masters	Senior Independent Director	15 Nov 2002
Hugh Bolland	Non-Executive Director	1 July 2007
Robert Burgess	Executive Director	21 Sept 2009
John Hylands	Non-Executive Director	22 Feb 2008
Timothy Ingram	Non-Executive Director	24 Sept 2010
Clare Sheikh	Non-Executive Director	14 Sept 2005
Alan Trotter	Executive Director	1 Feb 2010

In addition to the Directors, various members of senior management attend Board meetings and present to the Directors on activities in their area or in respect of particular concerns or interests of the Directors. Presentations by investment managers are a regular feature of Board meetings. A significant element of time at Board meetings is devoted to portfolio and investment performance, asset allocation and economic outlook.

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

The areas of decision making that the Board has reserved to itself can be found below:

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

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

Board Meetings

Each year, the Board agrees an annual Board Meeting programme to ensure that all aspects of the performance of the Company and its management are reviewed. This year the Board agreed a change to the frequency of their meetings. Meetings are now structured over two days and take place six times a year. This makes better use of the Directors' time and allows them to have greater oversight of the operation of all parts of the Group. It promotes greater access to a wider range of senior managers and has allowed the Directors to participate in a number of thematic business awareness sessions (an example of this is the workshop on risk referred to on page 22).

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

Attendance of the Directors is provided in the table below.

	BOARD		AUDIT		REMUNERATION		NOMINATION	
Director	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Lesley Knox	9	9	-	-	-	-	5	5
Katherine Garrett-Cox	9	9	-	-	-	-	5	5
Hugh Bolland	8	9	5	6	5	6	4	5
Robert Burgess	9	9	-	-	-	-	-	-
John Hylands	9	9	6	6	6	6	5	5
Timothy Ingram	2	2	1	1	1	1	-	-
Christopher Masters	9	9	6	6	6	6	5	5
Clare Sheikh	8	9	-	-	6	6	5	5
Alan Trotter	9	9	-	-	-	-	-	-

Board Committees

The Board has set up various committees to assist decision making and internal governance. The three committees reporting to the Board are:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Terms of Reference of each of these Committees have been reviewed and updated to reflect the provisions of the recently updated corporate governance codes. Copies of the Terms of Reference of the Committees will be available at the Annual General Meeting and are available on the Company website www.alliancetrust.co.uk.

Audit Committee

The members are shown on pages 28 and 29.

The Board is satisfied that John Hylands has recent and relevant financial experience. The work of the Committee during the year is explained in the Accountability and Audit section of the report on pages 36 to 38.

Remuneration Committee

The members are shown on pages 28 and 29.

The work of the Committee during the year is explained in the Remuneration section of the report on pages 40 to 47.

Nomination Committee

The members are shown on pages 28 and 29.

The Committee is responsible for ensuring that there is planned succession, so far as possible, at Board level and for ensuring the proper composition of the Board in terms of skills, knowledge, experience and diversity is maintained.

In the course of the year the Nomination Committee instructed a search for a new Non-Executive Director. In making the appointment the Committee carried out an evaluation of the skills, knowledge and experience required and of the type of individual they believed would be most suited. In formulating their requirements the Committee considered the existing range of experience of the various Board members. Following a wide-ranging search and consideration of a number of candidates the Board appointed Timothy Ingram as a Non-Executive Director.

Other Committees

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

Asset Allocation Committee

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

The purpose of this committee is to take decisions on the amount of the Company's capital that should be invested in each asset class and between the different regional equity portfolios. During the year, in addition to reviewing and recommending changes to the Company's investment KPIs, it monitored derivative exposure, economic performance, gearing and bank facilities and dividend cover. In addition, the Committee took the following decisions:

- In March to invest £100 million into the Fixed Income Portfolio and that this should come from gearing.
- In July the Global portfolio was reduced by £150 million and this was allocated to the Pan Asia and Emerging Markets portfolios
- In July a change in the manager of the US Mineral Rights portfolio was approved
- Various foreign currency forward purchases were approved.
- In September it was agreed that an additional £50 million should be invested in European equities
- To reduce the level of direct property exposure

Executive Committee

This Committee, comprising the Chief Executive and senior management, is the main executive committee providing leadership, oversight and communication across the Group. It focuses on strategy and planning, provides oversight of the Operating Committee and has key decision making authorities.

Operating Committee

This Committee, comprising the Chief Executive and the senior operational managers, provides a focus on financial and operational performance against the business plan and risk management and a channel for communication.

Risk Committee

This committee comprises the Finance Director and the senior managers who oversee and review the control, monitoring and reporting framework and related procedures for risk management. It is responsible for ensuring that there is an effective risk management framework for the Group and, as such, plays an important monitoring role across all aspects of the organisation ensuring that the risks inherent within the business are under proper control. The work of the Committee is covered on pages 22 and 23.

Authorisation Committee

This Committee, comprising the Executive Directors and other senior managers, considers and approves changes to signing authorities, approval of banking arrangements, appointment of brokers and approval of other administrative arrangements. It provides oversight and control ensuring that senior management is aware of, and must approve, individuals within the business who are authorised to act on behalf of the Company.

Board and Committee evaluation

The Board is committed to undertaking annual reviews of its own performance, and also the performance of its committees and individual Directors. This can be facilitated either internally, as was the case this year, or with external assistance which was used last year.

The evaluation was undertaken by a series of structured interviews led by the Chairman with the Company Secretary in attendance during the period between December 2010 and March 2011.

The evaluation looked at progress during the year on areas identified for consideration during the previous year's externally facilitated exercise, in particular the changing role of the Board, including the interaction with the boards of the principal subsidiaries and succession planning. Various changes were noted for incorporation within the Board's annual programme of meetings to enhance its decision-making process.

The Senior Independent Director led the evaluation of the Chairman's performance, which was the subject of discussion at a meeting of the Non-Executive Directors following completion by them of questionnaires which were devised to assess her performance against a series of key attributes for a chairman. The evaluation confirmed that the Chairman was effective in her role.

Appointment as a Director

Timothy Ingram was appointed on 24 September 2010. His appointment falls to be confirmed by shareholders at the Annual General Meeting. The Board has decided that in line with the UK Corporate Governance Code all of the Directors will be subject to re-election every year and all of them, other than Timothy Ingram who falls to be elected and Clare Sheikh who is standing down from the Board, therefore fall to be re-elected at this meeting. The individual performance of each Director and their ongoing suitability for election or re-election was considered and endorsed by the Nomination Committee. All are recommended for election or re-election at the forthcoming Annual General Meeting.

Directors' and Officers' Indemnification

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

Director Development

Updates on corporate governance, risk and business issues impacting on the Company are provided to the Board on an ongoing basis.

Conflicts of Interest

The Directors have previously provided details of all interests which potentially could cause a conflict of interest to arise. The unconflicted Directors in each case noted the declarations by the Directors of their other interests and confirmed that at that time none of the interests disclosed were reasonably likely to give rise to a conflict. An annual review of all interests was undertaken as part of the year end process and this was considered by the Board in April 2011. Procedures are in place to allow Directors to request authority should it be required outwith the normal Board meeting schedule.

Access to advice

All Directors have access to independent professional advice if necessary.

Major Shareholders

We show below the shareholders that have previously notified us that they hold more than 3% of our issued share capital or have notified us that they hold more than 3% of the voting rights of ordinary shares of the Company in issue with voting rights. We received no notifications in relation to these holdings during the year or in the period from the year end to 1 April 2011.

DC Thomson & Company Limited and John Leng & Company Limited	37,000,000	5.6%
Legal and General Group PLC	27,155,896	4.1%

The largest shareholder in the Company is the nominee company for Alliance Trust Savings which holds its shares on behalf of approximately 26,000 clients.

Alliance Trust Savings Nominees Limited	143,889,945	21.9%

We received notification on 31 March 2011 that Elliott International, LP, Liverpool Ltd Partnership had acquired 20,259,667 ordinary shares (3.081%).

Payment of Creditors

The Group's policy and practice is to pay creditors in accordance with the terms agreed. At 31 January 2011 the Company had no trade creditors. The Company's subsidiary undertaking, Alliance Trust Services Limited, which purchases most of the goods and services for the Group and recharges them to the appropriate entity, had trade creditors outstanding at 31 January 2011 representing 21 days of purchases.

Relationship with Shareholders

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

In addition to these meetings, investor forums are held in different locations during the year where individual shareholders are invited to meet Directors and senior managers. All Non-Executive Directors are expected to attend these meetings periodically. In 2010 around 500 shareholders, clients of Alliance Trust Savings and guests attended these meetings. For more details of forthcoming events, please see page 93.

Correspondence received from shareholders by the Chairman and the Chief Executive is routinely circulated to other Directors.

Relationship with third parties

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

Investment Trust Status

The Company is an investment company and seeks annual approval from HM Revenue and Customs to maintain its status as an investment trust. The last such approval was granted in respect of the financial year ending 31 January 2010.

Share Capital and Waiver of Dividends

The Company's issued share capital as at 31 January 2011 comprised 661,059,760 Ordinary 2.5p shares of which 1,770,203 have been acquired by the Trustee of an Employee Benefit Trust ('the Trustee') with funds provided by the Company in connection with its employee share plans. The Trustee has elected to waive all dividends payable in respect of those shares. Each Ordinary share of the Company is entitled to one vote but the Trustee does not vote in respect of the shares held by it on behalf of the Company.

On 10 March 2010 the Company acquired and cancelled 6,000,000 Ordinary 2.5p shares for a total consideration of £19.7 million.

After our year end, the Company acquired and cancelled 3,575,000 shares at a total consideration of £12.4 million. The Company's issued share capital after these transactions was 657,484,760 ordinary 2.5p shares.

There are no preference shares or shares held in treasury.

Agreement in respect of voting rights

In 2006 the Company reached an agreement with Alliance Trust Savings whereby its customers' shareholdings in the Company would be voted at the AGM in their entirety in the proportions of those customers who give instructions to vote, or abstain, on all resolutions put to the AGM. This agreement has been in place for all votes by shareholders since the Company's 2007 AGM.

At the 2010 AGM voting instructions were received from more than 3,500 Alliance Trust Savings customers representing approximately 24 million shares, or 17% of the total number of shares held by all Alliance Trust Savings customers. These votes were used to calculate the way in which the unvoted Alliance Trust shares were voted using the basis set out in Alliance Trust Savings terms and conditions. The Company had no discretion on how any of the votes were cast. Votes attaching to the shareholding in the name of Alliance Trust Savings amounted to 21.5% of the total number of shares in issue. The outcome of each of the resolutions at the 2010 AGM would have been unchanged if the scaling-up arrangement had not been applied.

The Company has decided that for 2011 and future AGMs this arrangement will no longer apply.

Share Buy Back Authority

At the last AGM the shareholders renewed the authority (originally approved at the EGM held on 10 May 2006), for the repurchase of up to 14.99% of the issued shares. This authority falls to be renewed at the next AGM. The Company made use of this provision during the course of the year as detailed above. The Company will, as part of the authority being sought, declare its intention that any shares bought back under the authority will be cancelled.

Annual General Meeting

In addition to formal business, the Chief Executive will present on business developments and there will be the opportunity for questions to be put to the other Directors. This year, in addition to the normal business there will be proposals to confirm the notice period for convening general meetings other than Annual General Meetings, to renew the share buy back authority, to appoint a new Auditor following a competitive tender, to approve a change in the targets for future awards under the Long Term Incentive Plan, and to adopt updated Articles of Association.

In addition two resolutions have been requisitioned by shareholders associated with Laxey Partners to introduce arrangements for a rigid discount control mechanism and to remove the scaling-up provisions in the Alliance Trust Savings share schemes.

Directors and other senior managers will be present. Details of the business of the meeting are set out in the Annual General Meeting notice.

Accountability and Audit

'This section of the report covers the way in which we deal with corporate reporting and internal controls. We explain the important role that the Audit Committee has in ensuring that the Company has in place robust systems and operates within an acceptable risk framework.'

John Hylands,
Chairman of the Audit Committee

Directors' responsibility

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

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

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

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

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

Role of the Audit Committee

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

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

- Monitor the integrity and content of the financial statements of the Company and its subsidiaries. Alliance Trust Savings also has its own Audit Committee to complement the activities of the Committee;
- Review the integrity and effectiveness of the internal controls and risk management systems of the Company and its subsidiaries; and
- Ensure that the Auditor's independence is maintained and that the audit service they provide is effective.

The Finance Director, Head of Internal Audit and Head of Compliance normally attend meetings of the Committee. The Chairman and the Chief Executive attend by invitation and the external auditors normally attend. The Audit Committee meets at least annually with the Head of Internal Audit and the Auditor in the absence of management.

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

In the course of the year the Committee considered and recommended to the Board the approval of the Interim and Annual Financial Statements of the Company and the going concern basis of the business. It received regular reports from Internal Audit and Compliance on both their auditing activities and general adherence to regulatory matters and internal processes. The Committee reviewed and updated its Whistleblowing policy and approved the use of an external firm to provide Information Technology audit resource.

Although not directly applicable to the Company, the Committee considered Sir David Walker's report on the governance of banks and other financial institutions which was published in November 2009.

The Committee's recommendation to submit to the shareholders a resolution to appoint a new Auditor is dealt with later in this section.

Internal Control

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

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

The Board regularly reviews the effectiveness of the Group's system of internal control including financial, operational and compliance controls and risk management. The Board has also performed an assessment for the purposes of this annual report, which considered all significant aspects of internal control arising during the period of the report, including the work of Internal Audit, Compliance and Risk. The Audit Committee assists the Board in discharging its review responsibilities. The Audit Committee receives reports from the Group's Internal and External Auditors which include details of significant internal control matters that they have identified. As a result of these ongoing procedures the Board's assessment was that the systems of controls were considered to be effective.

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

The Group maintains a separate internal audit function and utilises the services of an external professional firm for Information Technology audit work. There is a rolling programme of internal audits based on assessment of risk with the flexibility to introduce unplanned audits as circumstances dictate.

The internal controls and risk management systems in relation to the process for preparing the consolidated accounts include:

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

Auditor Independence and Appointment of New Auditor

During the year the Board took the decision to carry out a tender exercise for the role of Auditor. The last such review was in 2004, the result of which was the reappointment of KPMG. A number of firms were requested to submit tenders. From those who wished to tender for the role a short list of preferred bidders was agreed and invited to present to a selection panel which comprised members of the Audit Committee. Each of the firms was assessed for overall team competence and rapport, service approach, communication, commitment and pro-activity, fees and overall impression of the presentation. The depth of their understanding of the business and how this knowledge would be applied were also taken into account. A decision was taken to recommend Deloitte LLP to the Board to be proposed to shareholders for appointment as the Auditor of the Company at the next Annual General Meeting.

The audit firm has in-depth knowledge of the Company and there can, therefore, be advantages in engaging the audit firm for certain additional work. The Committee's policy is to allow the audit firm to be instructed to undertake such additional work only where there is no threat to independence. Any assignment over a set monetary threshold must be approved on behalf of the Audit Committee by its chairman.

In the course of this year £27,000 was paid in respect of regulatory and pension scheme audit fees.

Disclosure of Information to Auditor

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

Going Concern Statement

The accounts have been prepared on a going concern basis as the Company's and the Group's liquid assets significantly exceed its liabilities and its revenue income exceeds its expenditure.

Report of Directors and Responsibility Statement

The Report of the Directors, comprising the statements and reports on pages 4 to 27 together with the Governance section on pages 30 to 39 of this Annual Report and Accounts has been approved by the Board.

We confirm that to the best of our knowledge:

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

Lesley Knox

Lesley Knox
Chairman

11 April 2011

Katherine Garrett-Cox
Chief Executive

11 April 2011

Directors' Remuneration

'In this section of the Report we detail how we reward our Executive Directors and other key employees and how we have sought to align their reward with that of our shareholders. This year we are requesting the shareholders to approve a change in our Long Term Incentive Plan to better align these interests. We also disclose how we comply with the newly introduced FSA Remuneration Code.'

Christopher Masters,
Chairman of the Remuneration Committee

We are an investment company and to be successful we must recruit and retain investment professionals. We believe that it is important to ensure that our investment professionals are incentivised to deliver the performance we need to achieve superior performance. At the same time we wish to ensure that they do this in a way which minimises the risk of loss to our shareholders through adverse investment decisions.

Our compensation packages are structured to provide a base salary which is targeted at the median level for jobs of a similar size and complexity in other comparable organisations but with the potential for a significant uplift should Company and individual performance merit it. The Committee sets the ratio of fixed to variable remuneration to ensure an appropriate balance which allows the Company to operate a flexible policy in terms of variable remuneration having regard to all the relevant factors.

Remuneration Approach

The Committee has agreed the following principles which underpin the Company's Remuneration Policy for its Executive Directors:

- Variable pay will form a significant proportion of executives' total remuneration package and will be discretionary
- Base salaries will be targeted at market median for jobs of a similar size and complexity
- Total direct compensation (base salary plus annual and long-term incentives) will reflect the Company's performance, with the goal of being upper quartile for upper quartile performance
- Benefits offered to executives will be targeted at median for comparable roles
- Pension provision will be taken into consideration as part of the total remuneration package
- Remuneration packages of executives will be structured in such a way as to promote sound and effective risk management within the Company's risk appetite
- Termination payments should not reward failure

We outline below how we apply the principles of the FSA Remuneration Code to our compensation framework. The Company's Remuneration Policy, which is subject to annual review, is structured to reflect the business strategy and risk appetite of the Board aligning rewards on the achievement of corporate targets aligned with the interests of our shareholders. In respect of the specific requirements under the Remuneration Code:

Performance assessment: We have in place throughout the Company an annual performance review based on achievement of personal objectives aligned to the Company's key performance indicators (KPIs).

Guarantees: The use of guaranteed bonuses has always been limited and this will continue to be the case.

Severance: The Company's practice is only to make payments on early termination that reflect the leaver's contractual entitlements and other amounts which a court or tribunal would be likely to award.

Leverage: The Remuneration Committee has reviewed the proportion of variable pay to annual salary of Directors and other senior managers and is satisfied that it is appropriate.

Multi-year framework: The Company currently operates a combination of annual and three year performance conditions together with a requirement for Directors and other senior managers to defer part of any award in the form of shares.

Our investment managers are eligible for annual bonuses of up to 150% of salary based on achievement of annual performance targets relevant to their own portfolio and the wider equity portfolio. At least one half of any annual bonus is deferred for three years. At the end of the three year deferral period a matching award may be awarded based on individual portfolio performance (including consideration of consistency of fund performance, risk profile of the fund and market conditions) and achievement of the corporate target as set by the Board.

Other senior managers' annual bonuses are based on performance against business and individual objectives during the year, with the long-term element based on corporate performance measures.

We believe that we have adopted an approach that supports our traditional low risk investment philosophy underpinned by the belief that consistent year on year median to upper quartile performance will, over time, translate into long-term upper quartile performance.

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

The Company's primary objective is to generate capital growth over the medium to long term, together with a rising dividend for shareholders. The performance criteria by which Executive Directors were judged were set with this in mind. Between 25% and 50% of the annual bonus for the year under review was related to the achievement of the following corporate performance targets:

- TSR performance against a peer group (the AIC Global Growth and Global Growth and Income Sectors) with the test met for above median performance;
- NAV performance against a target of the FTSE All-World Index
- Dividend payable for the year to 31 January 2011 meeting or exceeding the commitment set by the Board for the year of 8.25p.

As outlined in the Chairman's report, during the year we have reviewed our corporate KPIs and the changes we have made are reflected in the targets set out below which will be used to determine future awards.

- Percentage change in Net Asset Value against the peer group over 6 months, 1, 3 and 5 years on a rolling basis
- Percentage change in Total Shareholder Return against the peer group over 6 months, 1, 3 and 5 years on a rolling basis
- Dividend growth over 1, 3 and 5 years
- Management of the Company's cost base in line with market conditions

The peer group will be the AIC Global Growth Investment Trust sector.

The Board has delegated authority for remuneration policy to the Remuneration Committee. The Remuneration Committee itself sets the remuneration of the Executive Directors and the Company Secretary and has oversight of remuneration arrangements for such other senior employees as the Committee may determine from time to time.

The Remuneration Committee also reviews the remuneration arrangements of other employees and the operation of the share-based incentive plans to ensure that remuneration arrangements for the Executive Directors have regard to pay and employment conditions elsewhere in the Group. However, decisions on individual remuneration arrangements are made by management in the area, with oversight by the HR function which reports to the Chief Executive.

The membership of the Committee is set out on pages 28 and 29. The Committee has during the year received independent advice on remuneration from Towers Watson. Towers Watson has no connection with the Company other than by virtue of their appointment by the Remuneration Committee.

The Committee met on six occasions during the year and considered:

- Approval of the corporate target for the year for the purposes of the Annual Bonus Plan
- Approval of performance objectives for the Executive Directors
- The performance of the Executive Directors and their remuneration packages
- The performance condition for the Long Term Incentive Plan
- The impact of the FSA Remuneration Code
- The grant of awards under the Long Term Incentive Plan
- The content of the Remuneration section of the Report and Accounts
- The performance of the Committee

Basic Salary

The Policy adopted by the Committee is that base salaries of executives should be targeted at market median for jobs of a similar size and complexity. As at 1 February 2011 the salaries of all of the Executive Directors are below or around the market median.

Annual Salary

Following the year end the Remuneration Committee made the following salary changes:

Salary at	1/2/09 (£)	1/2/10 (£)	1/2/11 (£)
Katherine Garrett-Cox	405,000	405,000	425,250
Robert Burgess	230,000*	250,000	262,500
Alan Trotter	-	210,000	225,000

* Salary is at date of appointment to the Board on 21 September 2009

Variable Pay

There are two components to variable pay; firstly the Annual Bonus and, secondly, awards made under the Company's Long Term Incentive Plan (LTIP) which was approved by shareholders in 2007.

In 2009, the shareholders approved a change to the corporate targets of the LTIP from a one based on achieving returns against RPI to one based on relative performance against a peer group (see page 47). This latter target reflects the Company's current strategy of focusing on equities as our core area of expertise and retaining only a modest exposure to other asset classes. Awards only vest if the Company achieves a ranking of median or above against its peer group. (See Long Term Incentive Plans on page 43 for further details)

Following the change in the corporate KPIs shareholders will be asked to approve changes to reflect the new KPIs.

Annual Bonuses

Katherine Garrett-Cox is eligible for an annual bonus of up to 150% of salary. Other Executive Directors are eligible for an annual bonus of up to 100% of their salary. All are totally dependent upon performance. At least 50% of any annual bonus award must be deferred into shares within the LTIP described below. The Director can choose to receive the rest of any bonus in cash or have it deferred into the LTIP.

The Corporate target comprised 50% of the potential bonus award for Katherine Garrett-Cox and Alan Trotter and 25% of the potential award for Robert Burgess. The remainder of the potential award was subject to performance against a combination of business and individual objectives determined at the start of the year. In the case of the Chief Executive, 40% of the potential bonus was attributable to business objectives and the remaining 10% to individual objectives. Similar allocations applied to other executive directors.

The business and individual targets for Katherine Garrett-Cox reflected both her role as Chief Investment Officer and Chief Executive, and related to investment performance and the performance of the subsidiary businesses against their objectives.

The business and individual objectives for Robert Burgess related primarily to the continuing development of Alliance Trust Savings and for Alan Trotter they related to financial planning in support of the business areas alongside his responsibilities for financial reporting and risk.

The following bonuses in respect of the year ending 31 January 2011 were awarded and were payable after the year end.

	Bonus(£)	% of maximum
Katherine Garrett-Cox	420,000	69%
Robert Burgess	210,000	84%
Alan Trotter	130,000	62%

Summary Table of Salary and Benefits

Executive Director	Date of Contract	Salary 2010-11 (£)	Car Allowance (£)	Annual Bonus (£)[1]	Taxable Benefits (£)	Other Payments (£)	Total 2011 (£)	Total 2010 (£)
Katherine Garrett-Cox	20/4/07	405,000	15,000	420,000	2,122	523	842,645	629,382
Robert Burgess	2/2/10	250,000	15,000	210,000	490	74,082[2]	549,572	437,407
Alan Trotter	1/2/10	210,000	15,000	130,000	392	50,441[3]	405,833	-

[1] This is the bonus payable in respect of year ending 31 January 2011 and was paid after the year end.
[2] Includes costs associated with disposal of London property and purchase of property in Scotland.
[3] Includes the £50,000 payment made on appointment.

Long Term Incentive Plans

The Company operates a discretionary plan which was approved by shareholders in 2007. Participants are given the opportunity to acquire shares at nil cost after three years, subject to the Company achieving certain targets. The current target, as approved by the shareholders in 2009, is based on TSR performance against the peer group listed on page 47. This benchmark was chosen as the Board believed that comparative performance against our peer group was the most effective way of linking shareholders' interests with management incentives.

There are two categories of award which can be made:

Matching Awards: These entitle the participant to receive shares at nil cost with the number of shares being calculated with reference to the amount of annual bonus which the member uses to purchase shares in the Company and which are deposited in the plan. At least 50% of the annual bonus must be used in this way. The maximum that can be received is twice the number of shares that could be purchased with the gross value of the annual bonus at the time of the award. The maximum that Katherine Garrett-Cox may receive is the equivalent of the gross value of the annual bonus at the time of the award. This reflects last year's realignment of her compensation structure keeping the overall package equivalent but with a lower Matching Award and higher annual bonus potential.

In respect of matching awards made in 2007 and 2008, the target that must be met to achieve the minimum level of vesting is TSR equivalent to inflation plus 3% each year, compounded over three years, with the maximum level of vesting only being achieved for TSR of 10% over inflation compounded over three years. In 2009 this target was replaced with one based on TSR compared to that of a peer group of other investment trusts with the minimum level of vesting (25%) at median and full vesting at upper quartile. Vesting between median and upper quartile is based on a vesting curve.

The Company is requesting shareholders to approve a change to the performance conditions of the LTIP so that vesting would be made subject to achieving a combination of TSR and NAV performance above the median of the AIC Global Growth sector with any payment also being subject to an underpin of increased dividend on an absolute basis. It is also intended to introduce a clawback provision in the case of material misstatement or misconduct.

Performance Awards: These are based on the same long-term performance measure as the matching awards. However, in this case, there is no requirement for the participant to purchase any shares. The maximum number of shares which can be awarded in a performance award is calculated on twice the annual salary of the participant at the date of the award.

Details of the awards made can be found on page 46.

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

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

All Employee Share Ownership Plan

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

1) Elect to purchase shares in the Company from pre-tax income up to a maximum of £1,500 per tax year
2) Receive Dividend Shares purchased from dividends paid in respect of shares held by the participant in the Scheme
3) Receive up to £3,000 worth of shares in each year

This year all full time participants who were in the Plan for the full year will receive 67% of the maximum award of shares, valued at £2,000. Part time staff and those that joined the Plan part way through the year will receive a pro rated award.

Directors' Pension Benefits

No current Executive Director is a member of the Company's Defined Benefits plan.

Katherine Garrett-Cox, Robert Burgess and Alan Trotter received contributions to a defined contribution arrangement of 10% of their base salary and a matching contribution of up to 7% of salary when they also contribute 7%. They also receive life insurance cover of four times salary.

During the year the Committee considered current market practice for the pension arrangements for directors. They agreed that from 1 February 2011 the Executive Directors will no longer receive contributions to a pension arrangement but will receive a payment of 25% of salary in the case of Katherine Garrett-Cox and 20% in the case of the other Executive Directors. All Executive Directors will continue to receive four times salary life insurance cover.

The Company does not grant pension benefits as part of variable remuneration.

Summary Table of Pension Benefits

Executive Director	Company Contribution to SIPP Plan 2010 (£)	Company Contribution to SIPP Plan 2011 (£)
Katherine Garrett-Cox	68,850	68,850
Robert Burgess	33,097	41,780
Alan Trotter	-	35,700

Other elements of Directors' contracts

The current features of the Executive Directors' contracts in addition to salary and other payments and benefits detailed elsewhere in this section are:-

The contracts of all of the Executive Directors are determinable on one year's notice by the Company and on six months' notice by the Director.

Katherine Garrett-Cox's and Alan Trotter's contracts contain express mitigation provisions should their contracts be terminated. Robert Burgess's contract contains express mitigation provisions if termination occurs after 21 September 2011 and for any period beyond six months if termination occurs prior to that date. This provision was agreed to reflect the fact that Robert Burgess's previous contract of employment before joining the Board contained no express mitigation provisions.

The mitigation provisions are structured to provide monthly payments during the notice period against which any income received during this period is offset.

The Executive Directors currently have a default normal retirement age of 65 but, with the Company's agreement, may work beyond that age.

The contracts of the Executive Directors do not include any provision whereby the termination of their employment renders them entitled to a payment under the discretionary bonus plans in which they may participate.

Directors' Shareholdings

All Directors are required to hold 3,000 shares in the Company as a condition of their appointment and all Directors hold at least that number. Details of the shareholdings of all Directors, together with details of shares acquired in the year, are shown below. The Company has issued no options to subscribe for shares.

Directors' Shareholdings*

Name	As at 1/2/10 or date of appointment if later	As at 31/1/11	Acquired between 31/1/11 and 1/4/11
Lesley Knox	151,970	156,976	680
Hugh Bolland	10,000	10,000	-
Robert Burgess	13,596	58,724	2,841
Katherine Garrett-Cox	236,920	287,522	6,035
John Hylands	63,596	65,073	340
Timothy Ingram	8,236	38,182	-
Christopher Masters	11,133	11,401	83
Clare Sheikh	3,749	3,749	-
Alan Trotter	-	8,771	69

* Unaudited

As Alan Trotter joined the Board on 1 February 2010, after the Company had gone into a close period, he was unable to acquire any shares in the Company on appointment. He acquired 8,433 shares on 22 April 2010.

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

Non-Executive Directors

Non-Executive Directors receive only fees and do not receive salary, bonuses, pension or share options. Each Non-Executive Director's appointment is governed by written terms which are available for inspection at the Company's registered office and are also available at the Annual General Meeting. Non-Executive Directors are appointed initially for a term of three years.

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

The Remuneration Committee determines the Chairman's fees. The Board (excluding the Non-Executive Directors who take no part in the process) determines the Non-Executive Directors' fees. There was no change in the fees, which were set in February 2007, paid to the Non-Executive Directors during the year. These were reviewed in February 2011, after receiving advice from Towers Watson that they had fallen behind market rates, and they were increased from £29,000 to £30,000 per annum; additional fees are paid for service on committees or subsidiary boards.

The fee of £90,000 payable to the Chairman last year has been increased with effect from 1 February 2011 to £100,000. This includes service on all committees and subsidiary boards.

The Fees paid to the Non-Executive Directors in the year are:-

£	Date of Appointment	Date of last Election/ Re-election	Actual 2009-10 (£)	Actual 2010-11 (£)
Lesley Knox	15/6/01	22/5/08	90,000	90,000
Hugh Bolland[1]	1/7/07	22/5/08	39,000	39,000
John Hylands[2]	22/2/08	22/5/08	44,000	44,000
Timothy Ingram[3]	24/9/10		-	11,994
Christopher Masters[4]	15/11/02	22/5/09	39,000	39,000
Clare Sheikh[5]	14/9/05	22/5/09	31,500	31,500
Total			243,500	255,494

1 Includes £2,500 for membership of Audit Committee, £2,500 for membership of Remuneration Committee and £5,000 for Non-Executive Chairmanship of Alliance Trust Asset Management Ltd.

2 Includes £5,000 for chairing Audit Committee, £2,500 for membership of Remuneration Committee, £5,000 for chairing Audit Committee of Alliance Trust Savings Ltd and £2,500 for Non-Executive Directorship of Alliance Trust Savings Ltd.

3 Includes pro rata of £2,500 annual payment for membership of Audit Committee and pro rata of £2,500 annual payment for membership of Remuneration Committee.

4 Includes £5,000 for chairing Remuneration Committee, £2,500 for membership of Audit Committee and £2,500 as Senior Independent Director.

5 Includes £2,500 for membership of Remuneration Committee.

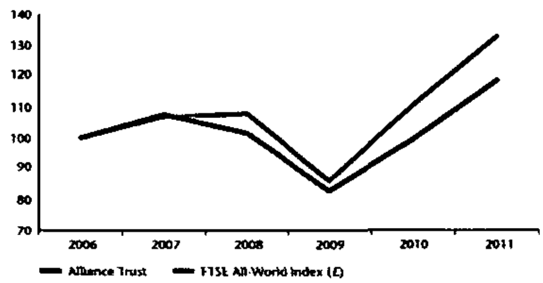
Other Directorships

The Company has a policy of permitting its Executive Directors to hold external directorships in other companies where this does not conflict with their duties to the Company. During the year none of the Executives held such office but do hold external appointments; Katherine Garrett-Cox is a trustee of The Baring Foundation and receives no remuneration for this appointment and Alan Trotter is a member of the University of Edinburgh Audit Committee.

Company performance graph

We do not have a benchmark but are required by law to include a graph showing the performance of the Company against a broad equity market index over a five year period. The comparator which has been selected as a broad measure of our performance is the FTSE All-World Index. It should be noted that the Company does not seek to track this index.

Company performance



Source: FactSet (includes dividend reinvested)

Awards made under Long Term Incentive Plan in the year ending 31 January 2011 and earlier years.

Katherine Garrett-Cox

Scheme and year of award	At 31/01/10	Awards Granted in year	Awards Lapsed in year	At 31/01/11	Market price of share on date of award	Vesting Date
LTIP 4 May 2010 (Matching Award)	-	70,008	-	70,008	£3.3970	4 May 2013
LTIP 4 May 2010 (Performance Award)	-	238,445	-	238,445	£3.3970	4 May 2013
LTIP 10 June 2009 (Matching Award)	94,406	-	-	94,406	£2.8275	10 June 2012
LTIP 25 June 2009 (Performance Award)	295,620	-	-	295,620	£2.7400	25 June 2012
LTIP 5 May 2008 (Matching Award)	25,545	-	Will lapse	25,545	£3.5100	5 May 2011
LTIP 5 May 2008 (Performance Award)	152,706	-	Will lapse	152,706	£3.5100	5 May 2011
LTIP 4 June 2007 (Performance Award)	132,038	-	132,038	-	£3.8625	
Agreement 4 June 2007 (share award)	434,338	-	434,338	-	£3.8625	

Robert Burgess

Scheme and year of award	At 31/01/10	Awards Granted in year	Awards Lapsed in year	At 31/01/11	Market price of share on date of award	Vesting Date
LTIP 4 May 2010 (Matching Award)	-	105,755	-	105,755	£3.3970	4 May 2013
LTIP 4 May 2010 (Performance Award)	-	147,188	-	147,188	£3.3970	4 May 2013
LTIP 25 June 2009 (Performance Award)	127,737	-	-	127,737	£2.7400	25 June 2012

Alan Trotter

Scheme and year of award	At 31/01/10	Awards Granted in year	Awards Lapsed in year	At 31/01/11	Market price of share on date of award	Vesting Date
LTIP 4 May 2010 (Performance Award)	-	123,638	-	123,638	£3.3970	4 May 2013
Agreement 4 May 2010 (share award)	-	34,571	-	34,571	£3.3970	4 May 2013

Performance relative to Peer Group*

Name	1 Year	3 Years	5 Years
TSR Ranking	31/42	18/36	25/35

* The peer group consists of the companies in the AIC Global Growth and Global Growth and Income sectors and is listed in full below.

Source: Fund Data

Comparator Group

- Anglo & Overseas (to March 2011)
- Bankers
- British Assets
- British Empire Securities
- Brunner
- Caledonia Investments
- Cayenne
- Edinburgh Worldwide (from March 2008)
- Electric & General
- EP Global Opportunities
- Establishment
- Foreign & Colonial
- F&C Global Smaller Companies (from April 2008)
- F&C Managed Portfolio Growth (from April 2008)
- F&C Managed Portfolio Income (from April 2008)
- Gartmore Global
- Independent
- Invesco Perpetual Select (from November 2006)
- JPM Elect Managed Growth
- JPMorgan Overseas (from March 2008)
- Jupiter Primadona Growth
- Law Debenture
- Lindsell Train
- London & St.Lawrence
- Majedie
- Martin Currie Portfolio
- Mid Wynd International (from March 2008)
- Midas Income & Growth
- Miton Worldwide Growth
- Monks
- Murray International
- New Star
- Personal Assets
- RIT Capital Partners
- Ruffer
- Scottish American
- Scottish Investment
- Scottish Mortgage
- SVM Global Fund
- Witan
- World Trust Fund

Audit Statement

The tables on pages 42 to 46 together with the related footnotes have been audited by the Company's Auditor whose report is on pages 48 and 49.

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

Christopher Masters,
Chairman of the Remuneration Committee
11 April 2011

Independent Auditor's Report

To the members of Alliance Trust PLC

We have audited the financial statements of Alliance Trust PLC for the year ended 31 January 2011 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Comprehensive Income and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on,the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2011 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 38, in relation to going concern;
- the part of the Corporate Governance Statement on page 30 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review;
- certain elements of the report to shareholders by the Board on directors' remuneration.

Simon Pashby

Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
Saltire Court, Castle Terrace, Edinburgh, EH1 2EG

11 April 2011

Financial Statements

Consolidated income statement for the year ended 31 January 2011

		2011			2010		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue							
Income	3	101,943	-	101,943	93,652	-	93,652
Profit on fair value designated investments		-	404,536	404,536	-	420,327	420,327
Profit on investment property		-	589	589	-	4,691	4,691
Total revenue		101,943	405,125	507,068	93,652	425,018	518,670
Administrative expenses	4	(38,138)	(2,684)	(40,822)	(36,819)	(1,256)	(38,075)
Finance costs	5	(5,306)	(4,462)	(9,768)	(666)	(1,267)	(1,933)
Impairment losses	11	-	(297)	(297)	-	-	-
Loss on revaluation of office premises	9	-	(47)	(47)	-	(951)	(951)
Foreign exchange gains/(losses)		30	95	125	178	(4,505)	(4,327)
Profit before tax		58,529	397,730	456,259	56,345	417,039	473,384
Tax	6	(4,439)	(73)	(4,512)	(5,567)	355	(5,212)
Profit for the period		54,090	397,657	451,747	50,778	417,394	468,172
Attributable to:							
Minority interest		-	-	-	186	1,583	1,769
Equity holders of the parent		54,090	397,657	451,747	50,592	415,811	466,403
		54,090	397,657	451,747	50,778	417,394	468,172
Earnings per share from continuing operations attributable to equity holders of the parent	8						
Basic (p per share)		8.20	60.26	68.46	7.57	62.19	69.76
Diluted (p per share)		8.17	60.10	68.27	7.55	62.02	69.57

Consolidated statement of comprehensive income

	2011			2010		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the period	54,090	397,657	451,747	50,778	417,394	468,172
Defined benefit plan net actuarial gain/(loss)	-	3,077	3,077	-	(3,244)	(3,244)
Retirement benefit obligations deferred tax	-	(348)	(348)	-	14	14
Loss on revaluation of office premises	-	(183)	(183)	-	-	-
Total recognised income and expense for the period	54,090	400,203	454,293	50,778	414,164	464,942
Attributable to:						
Minority interest	-	-	-	186	1,583	1,769
Equity holders of the parent	54,090	400,203	454,293	50,592	412,581	463,173
	54,090	400,203	454,293	50,778	414,164	464,942

Company income statement for the year ended 31 January 2011

		2011			2010		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue							
Income	3	86,837	-	86,837	81,213	-	81,213
Profit on fair value designated investments		-	391,349	391,349	-	405,539	405,539
Profit on investment property		-	589	589	-	4,691	4,691
Total revenue		86,837	391,938	478,775	81,213	410,230	491,443
Administrative expenses	4	(15,110)	(1,924)	(17,034)	(14,878)	(1,117)	(15,995)
Finance costs	5	(3,244)	(2,302)	(5,546)	(636)	(1,267)	(1,903)
Loss on revaluation of office premises	9	-	(47)	(47)	-	(951)	(951)
Foreign exchange gains/(losses)		-	862	862	-	(3,028)	(3,028)
Profit before tax		68,483	388,527	457,010	65,699	403,867	469,566
Tax	6	(4,696)	328	(4,368)	(4,574)	355	(4,219)
Profit for the period		63,787	388,855	452,642	61,125	404,222	465,347
Attributable to:							
Equity shareholders		63,787	388,855	452,642	61,125	404,222	465,347
Earnings per share from continuing operations attributable to equity shareholders	8						
Basic (p per share)		9.67	58.93	68.60	9.14	60.45	69.59
Diluted (p per share)		9.64	58.77	68.41	9.12	60.29	69.41

Company statement of comprehensive income

	2011			2010		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the period	63,787	388,855	452,642	61,125	404,222	465,347
Defined benefit plan net actuarial gain/(loss)	-	3,077	3,077	-	(3,244)	(3,244)
Retirement benefit obligations deferred tax	-	(348)	(348)	-	14	14
Loss on revaluation of office premises	-	(183)	(183)	-	-	-
Total recognised income and expense for the period	63,787	391,401	455,188	61,125	400,992	462,117
Attributable to:						
Equity shareholders	63,787	391,401	455,188	61,125	400,992	462,117

Statements of changes in equity for the year ended 31 January 2011

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Called up share capital				
At 1 February 2010	16,677	16,798	16,677	16,798
Own shares purchased and cancelled in the year	(150)	(121)	(150)	(121)
At 31 January 2011	16,527	16,677	16,527	16,677
Capital Reserves				
At 1 February 2010	1,776,750	1,378,674	1,759,022	1,372,536
Profit for the year	397,657	415,811	388,855	404,222
Pension scheme financing	2,729	(3,230)	2,729	(3,230)
Own shares purchased*	(19,800)	(15,405)	(19,800)	(15,405)
SMEIP/LTIP reserve movement	1,294	900	845	899
At 31 January 2011	2,158,630	1,776,750	2,131,651	1,759,022
Revaluation Reserve				
At 1 February 2010	183	183	183	183
Revaluation of office premises	(183)	-	(183)	-
At 31 January 2011	-	183	-	183
Merger Reserve				
At 1 February 2010 and 31 January 2011	645,335	645,335	645,335	645,335
Capital redemption reserve				
At 1 February 2010	2,321	2,200	2,321	2,200
Own shares purchased and cancelled in the year	150	121	150	121
At 31 January 2011	2,471	2,321	2,471	2,321
Revenue reserve				
At 1 February 2010	72,017	78,806	89,299	85,539
Profit for the year	54,090	50,592	63,787	61,125
Dividends	(54,599)	(57,363)	(54,599)	(57,363)
Unclaimed dividends	33	4	33	4
SMEIP/LTIP reserve movement	-	(22)	-	(6)
At 31 January 2011	71,541	72,017	98,520	89,299
Translation reserve				
At 1 February 2010	-	984	-	-
Write back on wind up of foreign subsidiary	-	(984)	-	-
At 31 January 2011	-	-	-	-
Minority interest				
At 1 February 2010	11,684	6,734	-	-
Profit for the year	-	1,769	-	-
Net subscriptions**	-	3,181	-	-
Transfer to liabilities	(11,684)	-	-	-
At 31 January 2011	-	11,684	-	-
At 1 February 2010	2,524,967	2,129,714	2,512,837	2,122,591
At 31 January 2011	2,894,504	2,524,967	2,894,504	2,512,837

* Own shares purchased in the year relates to the purchase and cancellation of own shares.

** Premier Alliance Trust Investment Funds and Alliance Trust Investment Funds.

Balance sheet as at 31 January 2011

		Group		Company	
£000	**Notes**	**2011**	**2010**	**2011**	**2010**
Non-current assets					
Investments held at fair value	9	3,237,614	2,595,849	3,172,639	2,577,599
Investment property	9	28,515	51,625	28,515	51,625
Property, plant and equipment:	9				
Office premises		6,270	6,500	6,270	6,500
Other fixed assets		27	3	27	3
Intangible assets	11,12	2,345	3,646	542	735
Pension scheme surplus	26	846	-	846	-
Deferred tax assets	13	182	141	151	-
		3,275,799	2,657,764	3,208,990	2,636,462
Current assets					
Outstanding settlements and other receivables	14	47,051	17,025	29,687	10,516
Withholding tax debtor		1,413	1,099	1,413	1,099
Corporation tax debtor		79	62	79	62
Cash and cash equivalents		295,355	269,475	27,511	55,718
		343,898	287,661	58,690	67,395
Total assets		3,619,697	2,945,425	3,267,680	2,703,857
Current liabilities					
Outstanding settlements and other payables	15	(383,505)	(252,860)	(32,613)	(24,486)
Tax payable		(2,260)	(2,677)	(1,198)	(1,613)
Bank overdrafts and loans	16	(338,997)	(160,000)	(338,997)	(160,000)
		(724,762)	(415,537)	(372,808)	(186,099)
Total assets less current liabilities		2,894,935	2,529,888	2,894,872	2,517,758
Non-current liabilities					
Deferred tax liabilities	13	(303)	-	(303)	-
Cash settled incentive scheme		(128)	-	(65)	-
Pension scheme deficit	26	-	(4,921)	-	(4,921)
Net assets		2,894,504	2,524,967	2,894,504	2,512,837
Equity					
Share capital	17	16,527	16,677	16,527	16,677
Capital reserves	18	2,158,630	1,776,750	2,131,651	1,759,022
Merger reserve	18	645,335	645,335	645,335	645,335
Revaluation reserve	18	-	183	-	183
Capital redemption reserve	18	2,471	2,321	2,471	2,321
Revenue reserves	18	71,541	72,017	98,520	89,299
Equity attributable to equity holders of the parent		2,894,504	2,513,283	2,894,504	2,512,837
Minority interest		-	11,684	-	-
Total Equity		2,894,504	2,524,967	2,894,504	2,512,837
Net Asset Value per ordinary share attributable to equity holders of the parent	19				
Basic (£)		£4.39	£3.78	£4.39	£3.78
Diluted (£)		£4.38	£3.77	£4.38	£3.77

The financial statements were approved by the Board of Directors and authorised for issue on 11 April 2011.
They were signed on its behalf by:

Lesley Knox

Lesley Knox
Chairman

Katherine Garrett-Cox
Chief Executive

Cash flow for the year ended 31 January 2011

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Cash flows from operating activities				
Profit before tax	456,259	473,384	457,010	469,566
Adjustments for:				
Gains on investments	(405,125)	(425,018)	(391,938)	(410,230)
Foreign exchange (gains)/losses	(125)	4,327	(862)	3,028
Scrip dividends	(213)	(357)	(213)	(357)
Depreciation	16	5	16	3
Amortisation of intangibles	1,696	1,605	404	388
Impairment losses	297	-	-	-
Loss on revaluation of office premises	47	951	47	951
Share based payment expense	1,294	878	845	893
Interest	9,768	1,933	5,546	1,903
Operating cash flows before movements in working capital	63,914	57,708	70,855	66,145
Increase in amounts due to depositors	25,930	29,475	-	-
Increase in receivables	(12,616)	(4,790)	(8,346)	(3,681)
Increase/(decrease) in payables	7,575	7,397	(1,401)	(582)
Net cash flow from operating activities before income taxes	84,803	89,790	61,108	61,882
Taxes paid	(4,998)	(4,623)	(4,966)	(3,737)
Net cash inflow from operating activities	79,805	85,167	56,142	58,145
Cash flows from investing activities				
Proceeds on disposal of fair value through profit and loss investments	1,304,562	925,131	1,295,360	923,385
Purchases of fair value through profit and loss investments	(1,510,954)	(1,280,596)	(1,465,954)	(1,254,099)
Purchase of plant and equipment	(40)	-	(40)	-
Purchase of intangible assets	(692)	-	(211)	-
Purchases in respect of new head office	-	(1,076)	-	(1,076)
Net cash outflow from investing activities	(207,124)	(356,541)	(170,845)	(331,790)
Cash flows from financing activities				
Dividends paid - Equity	(68,071)	(57,292)	(68,071)	(57,292)
Unclaimed dividends repaid	33	4	33	4
Purchase of own shares	(19,800)	(15,405)	(19,800)	(15,405)
New bank loans raised	178,997	110,000	178,997	110,000
Third party investment in subsidiary OEICs*	71,662	3,181	-	-
Interest payable	(9,747)	(2,345)	(5,525)	(1,962)
Net cash inflow from financing activities	153,074	38,143	85,634	35,345
Net increase/(decrease) in cash and cash equivalents	25,755	(233,231)	(29,069)	(238,300)
Cash and cash equivalents at beginning of period	269,475	507,033	55,718	297,046
Effect of foreign exchange rate changes	125	(4,327)	862	(3,028)
Cash and cash equivalents at end of period	295,355	269,475	27,511	55,718

* Premier Alliance Trust Investment Funds and Alliance Trust Investment Funds.

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 92. The nature of the Group's operations and its principal activities are a global investment trust.

Critical accounting estimates and judgements

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

Valuation of unlisted investments

Investments which are not listed or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar instruments. Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment. With respect specifically to investments in private equity, whether through funds or partnerships, the Directors rely on unaudited valuations of the underlying listed 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 26 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 liabilities.

2. Summary of Significant Accounting Policies

Going concern

The directors have a reasonable expectation that the Company has sufficient resources to continue operational existence for the forseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Changes in accounting policies

The same accounting policies, presentations and methods of computation are followed in these financial statements as are applied in the Group's last annual audited financial statements, except that a change has been made to the allocation of finance costs between revenue and capital such that those costs associated with the fixed income bond fund have been charged in full to revenue expenses.

Basis of accounting

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

The financial statements have been prepared on the historical cost basis, except that investments and investment properties are stated at fair value. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') 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 revised provisions 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 does not comply 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 IFRS

Amendments to the following IFRS were applicable for the year ended 31 January 2011 but had no impact on the financial statements:

- IFRS 2 - Share based payments amendments relating to cash settled share based payment transactions
- IFRS 5 - Non current assets held for sale and discontinued operations
- IAS7 - Cash flow statements relating to the classification of investment activities
- IAS17 - Leases relating to the classification of land leases
- IAS32 - Financial instruments presentation relating to the presentation of rights issues
- IAS36 - Impairment of assets relating to the interaction with IFRS 8 "Operating Segments"

- IAS39 - Financial instruments – recognition and measurement relating to loan repayment penalties on embedded derivatives, business combination contracts and cash flow hedge accounting.

IFRS not yet applied

The following standards and interpretations which have been adopted by the European Union but are not effective for the year ended 31 January 2011 and have not been applied in preparing the financial statements, are relevant to the financial statements of the Group and the Company:

- IFRS 7 - Financial instruments disclosure in relation to transfers of financial assets
- IAS 12 - Income Taxes- Limited scope amendment- recovery of underlying assets
- IAS24 - Related Party Transactions- definition of related parties

In October 2010 the IASB issued IFRS 9 – Financial Instruments. This standard is effective for accounting periods commencing after 1st January 2013 and is designed to replace the existing IAS39 but has not yet been fully adopted by the European Union. The standard covers the following areas:

- Initial measurement of financial instruments
- Subsequent measurement of financial assets
- Subsequent measurement of financial liabilities
- Derecognition of financial assets
- Derecognition of financial liabilities
- Derivatives
- Embedded derivatives
- Reclassification
- Amended IFRS 7 disclosures

The changes will be applicable to the financial statements of the Company and Group for the year ended 31 December 2013 and are expected to impact the Company and Groups accounting for financial assets and liabilities and the disclosure thereof.

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 January 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 in 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 OEIC's is recognised in the balance sheet as a liability. Distributions to these investors are treated as finance costs in the income statement and are disclosed in note 5 on page 62 of the financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of income statement

In order better to reflect the activities of an investment trust company 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. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly controlled entity at the date of the acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

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.

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.
- The Directors have determined to allocate annual bonus and Incentive Plan costs which relate to the achievement of investment manager performance objectives and total shareholder return performance objectives 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 the 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 27 "Operating lease commitments" discloses the commitments to pay charges for leases expiring within 1, 2-5 and over 5 years.

Share based payments

The Group operates two share based payment schemes, the All Employee Share Ownership Plan (AESOP) and the Long Term Incentive Plan (LTIP). The cost of the AESOP is recognised as a revenue cost in the year. The grant date fair value of options granted to employees under the LTIP is recognised as an employee expense, 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 LTIP (Investments) was introduced during the year and is a discretionary plan for members of the investment team. It consists of matching awards which are based upon the proportion of annual bonus set aside in the scheme by the participants either in the form of cash or units in the funds which they manage. The awards are settled in cash at the end of a three year performance period subject to meeting predefined performance targets.

Pension costs

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

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 through equity 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 Section 1158/1159 of the Corporation Tax Act 2010.

The tax expense represents the sum of the tax currently payable and deferred tax.

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 asset 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 dealt with in equity.

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

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

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 shall offset financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the 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 dates, 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 at net asset value as the Directors consider this to approximate to the fair value of those entities.

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

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 comprise cash and demand deposits with banks including certain bank accounts held in foreign currencies which are readily convertible to sterling and are subject to insignificant risk of change in value.

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 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 in relation to the expenses for the year and the assets of the Company.

Intangible assets

The external costs associated with the development and procurement of significant technology systems are capitalised when 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.

Motor vehicles and other fixed assets

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

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 aquiring 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 equivilant 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 dealt with 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.

Translation reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Revaluation reserve

This reserve is used to record changes in the valuation of the Company's 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 these reserves reflect the nominal value of the buy back and cancellation of a portion of the share capital of the Company.

Revenue reserves

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 dealt with in this reserve.

3 Revenue

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Income from investments*				
Listed dividends – UK	45,100	42,167	33,392	37,526
Unlisted dividends – UK	56	98	29	98
Listed dividends – Subsidiaries	-	-	6,822	2,546
Unlisted dividends – Subsidiaries	-	-	1,000	-
Listed dividends – Overseas	38,789	32,607	38,789	32,607
Unlisted dividends – Overseas	17	32	17	32
Interest on fixed income securities	1,352	700	1,352	700
Scrip dividends	213	357	213	357
	85,527	75,961	81,614	73,866
Other income				
Property income	3,517	4,495	3,517	4,495
Mineral rights income	1,400	1,572	1,400	1,572
Deposit interest	2,022	2,488	249	748
Other interest	24	64	3	64
Savings and pension plan charges	8,585	8,254	-	-
Other income	868	818	54	468
	16,416	17,691	5,223	7,347
Total income	101,943	93,652	86,837	81,213
Investment income comprises				
Listed UK	45,100	42,167	40,214	40,072
Listed Overseas	38,789	32,607	38,789	32,607
Unlisted	73	130	1,046	130
Other	1,565	1,057	1,565	1,057
	85,527	75,961	81,614	73,866

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

4 Profit from operations is stated after charging the following administrative expenses:

	Group			Group		
£000	**2011 Revenue**	**2011 Capital**	**2011 Total**	**2010 Revenue**	**2010 Capital**	**2010 Total**
Staff costs	15,328	2,684	18,012	15,268	1,256	16,524
Social security costs	1,865	-	1,865	1,826	-	1,826
Pension costs - defined benefit scheme	1,070	-	1,070	992	-	992
Pension costs - defined contribution scheme	1,344	-	1,344	1,155	-	1,155
	19,607	2,684	22,291	19,241	1,256	20,497
Auditors remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	61	-	61	59	-	59
Fee payable to the auditor and its associates for other services:						
The audit of the Company's subsidiaries pursuant to legislation	81	-	81	100	-	100
Total audit fees	142	-	142	159	-	159
Other services pursuant to legislation	24	-	24	18	-	18
Fees in respect of the Alliance Trust Companies pension scheme audit	3	-	3	3	-	3
Other services - review of processes and procedures in respect of Alliance Trust Savings Limited	-	-	-	330	-	330
Total auditors remuneration	169	-	169	510	-	510
Operating lease charges						
Land and buildings	116	-	116	368	-	368
Other	42	-	42	22	-	22
Total operating lease charges	158	-	158	390	-	390
Other administrative costs	18,204	-	18,204	16,678	-	16,678
Total administrative expenses	38,138	2,684	40,822	36,819	1,256	38,075

	Company			Company		
£000	**2011 Revenue**	**2011 Capital**	**2011 Total**	**2010 Revenue**	**2010 Capital**	**2010 Total**
Staff costs	5,690	1,924	7,614	6,114	1,117	7,231
Social security costs	741	-	741	819	-	819
Pension costs - defined benefit scheme	550	-	550	448	-	448
Pension costs - defined contribution scheme	500	-	500	424	-	424
	7,481	1,924	9,405	7,805	1,117	8,922
Auditors remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	61	-	61	59	-	59
Total audit fees	61	-	61	59	-	59
Fee payable to the auditor and its associates for other services:						
Other services	-	-	-	7	-	7
Fees in respect of the Alliance Trust Companies pension scheme audit	1	-	1	1	-	1
Total auditors remuneration	62	-	62	67	-	67
Operating lease charges						
Land and buildings	6	-	6	35	-	35
Other	19	-	19	11	-	11
Total operating lease charges	25	-	25	46	-	46
Other administrative costs	7,542	-	7,542	6,960	-	6,960
Total administration costs	15,110	1,924	17,034	14,878	1,117	15,995

Total Directors' remuneration was £2,054,000 (£1,595,000). Further details are given on pages 40 to 47. In the period the Group employed an average of 256 (268) full-time and 20 (20) part-time staff, excluding Directors.

Total expense ratio (TER) is calculated based on the average of opening and closing net assets. On this basis the management and administration expenses of the Company amounted to £17,034,000 (£15,995,000) representing 0.63% (0.69%) of the average opening and closing net assets of £2,703,670,000 (£2,317,714,000).

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

5 Finance Costs

		Group			Group	
	2011	2011	2011	2010	2010	2010
£000	Revenue	Capital	Total	Revenue	Capital	Total
Payable to depositors	8	-	8	30	-	30
Net distributions to third party investors	2,050	2,160	4,210	-	-	-
Bank loans and overdrafts	3,248	2,302	5,550	636	1,267	1,903
Total finance costs	5,306	4,462	9,768	666	1,267	1,933

		Company			Company	
	2011	2011	2011	2010	2010	2010
£000	Revenue	Capital	Total	Revenue	Capital	Total
Bank loans and overdrafts	3,244	2,302	5,546	636	1,267	1,903
Total finance costs	3,244	2,302	5,546	636	1,267	1,903

6 Taxation

		Group			Group	
	2011	2011	2011	2010	2010	2010
£000	Revenue	Capital	Total	Revenue	Capital	Total
UK corporation tax at 28% (28%)	(73)	73	-	2,681	(355)	2,326
Prior year adjustment	105	-	105	1,344	-	1,344
Overseas taxation	4,605	-	4,605	4,262	-	4,262
	4,637	73	4,710	8,287	(355)	7,932
Relief for overseas taxation	-	-	-	(2,327)	-	(2,327)
	4,637	73	4,710	5,960	(355)	5,605
Deferred taxation	(198)	-	(198)	(393)	-	(393)
	4,439	73	4,512	5,567	(355)	5,212

Corporation tax is calculated at 28% (28%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Group				Group			
£000	2011 Revenue	2011 Capital	2011 Total	2011 %	2010 Revenue	2010 Capital	2010 Total	2010 %
Profit before tax	58,529	397,730	456,259	-	56,345	417,624	473,969	-
Tax at the UK corporation tax rate of 28% (28%)	16,388	111,364	127,752	28%	15,777	116,935	132,712	28%
Non taxable dividend income	(19,705)	-	(19,705)	(4%)	(15,108)	-	(15,108)	(3%)
Realised losses on investments	-	(165)	(165)	0%	-	(1,313)	(1,313)	0%
Increase in appreciation on assets held	-	(113,256)	(113,256)	(24%)	-	(117,426)	(117,426)	(25%)
Prior year adjustment	105	-	105	0%	1,344	-	1,344	0%
Foreign exchange adjustments	(8)	(27)	(35)	0%	(50)	1,261	1,211	0%
Effect of changes in tax rates	-	-	-	-	1,546	-	1,546	0%
Overseas tax	4,605	-	4,605	1%	-	-	-	-
Deferred tax assets not recognised	2,430	304	2,734	0%	2,033	-	2,033	0%
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	624	1,853	2,477	0%	25	188	213	0%
Tax expenses and effective tax rate for the year	4,439	73	4,512	1%	5,567	(355)	5,212	1%

	Company			Company		
£000	2011 Revenue	2011 Capital	2011 Total	2010 Revenue	2010 Capital	2010 Total
UK corporation tax at 28% (28%)	287	(328)	(41)	3,623	(355)	3,268
Prior year adjustment	-	-	-	(591)	-	(591)
Overseas taxation	4,605	-	4,605	4,262	-	4,262
	4,892	(328)	4,564	7,294	(355)	6,939
Relief for overseas taxation	-	-	-	(2,327)	-	(2,327)
	4,892	(328)	4,564	4,967	(355)	4,612
Deferred taxation	(196)	-	(196)	(393)	-	(393)
	4,696	(328)	4,368	4,574	(355)	4,219

Corporation tax is calculated at 28% (28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

	Company				Company			
£000	2011 Revenue	2011 Capital	2011 Total	2011 %	2010 Revenue	2010 Capital	2010 Total	2010 %
Profit before tax	68,483	388,527	457,010	-	65,699	403,867	469,566	-
UK corporation tax payable at 28% (28%)	19,174	108,789	127,963	28%	18,396	113,083	131,479	28%
Non taxable dividend income	(19,477)	-	(19,477)	(4%)	(14,787)	-	(14,787)	(3%)
Realised losses on investments	-	-	-	-	-	(1,313)	(1,313)	0%
Increase in appreciation on assets held	-	(109,756)	(109,756)	(24%)	-	(113,285)	(113,285)	(24%)
Prior year adjustment	-	-	-	-	(591)	-	(591)	0%
Foreign exchange adjustments	-	(241)	(241)	0%	-	847	847	0%
Effect of changes in tax rates	-	-	-	-	1,546	-	1,546	0%
Overseas tax	4,605	-	4,605	1%	-	-	-	-
Deferred tax asset not recognised	242	304	546	0%	-	-	-	-
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	152	576	728	0%	10	313	323	0%
Tax expenses and effective tax rate for the year	4,696	(328)	4,368	1%	4,574	(355)	4,219	1%

7 Dividends

£000	2011	2010
Fourth interim dividend for the year ended 31 January 2009 of 2.00p per share	-	13,401
Special dividend for the year ended 31 January 2009 of 0.50p per share	-	3,350
First interim dividend for the year ended 31 January 2010 of 2.025p per share	-	13,570
Second interim dividend for the year ended 31 January 2010 of 2.025p per share	-	13,570
Third interim dividend for the year ended 31 January 2010 of 2.025p per share	-	13,472
Fourth interim dividend for the year ended 31 January 2010 of 2.075p per share	13,805	-
First interim dividend for the year ended 31 January 2011 of 2.0625p per share	13,598	-
Second interim dividend for the year ended 31 January 2011 of 2.0625p per share	13,598	-
Third interim dividend for the year ended 31 January 2011 of 2.0625p per share	13,598	-
	54,599	57,363

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

First interim dividend for the year ended 31 January 2010 of 2.025p per share	-	13,570
Second interim dividend for the year ended 31 January 2010 of 2.025p per share	-	13,570
Third interim dividend for the year ended 31 January 2010 of 2.025p per share	-	13,472
Fourth interim dividend for the year ended 31 January 2010 of 2.075p per share	-	13,805
First interim dividend for the year ended 31 January 2011 of 2.0625p per share	13,598	-
Second interim dividend for the year ended 31 January 2011 of 2.0625p per share	13,598	-
Third interim dividend for the year ended 31 January 2011 of 2.0625p per share	13,598	-
Fourth interim dividend for the year ended 31 January 2011 of 2.2075p per share	14,551	-
	55,345	54,417

8 Earnings per share

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

	Group			Group		
	2011 Revenue	2011 Capital	2011 Total	2010 Revenue	2010 Capital	2010 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent (£000)	54,090	397,657	451,747	50,592	415,811	466,403
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			659,897,723			668,649,882
Weighted average number of ordinary shares for the purposes of diluted earnings per share			661,667,979			670,448,116

	Company			Company		
	2011 Revenue	2011 Capital	2011 Total	2010 Revenue	2010 Capital	2010 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity shareholders (£000)	63,787	388,855	452,642	61,125	404,222	465,347
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			659,897,723			668,649,882
Weighted average number of ordinary shares for the purposes of diluted earnings per share			661,667,979			670,448,116

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

To arrive at the basic figure the number of shares has been reduced by 1,770,203 (1,789,960) ordinary shares held by the Trustee of The Employee Benefit Trust ("EBT"). During the year the Trustee increased its holding by nil (19,776) shares with funds provided by the Company. 19,757 (72,486) 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

£000	Group 2011	Group 2010	Company 2011	Company 2010
Investments designated at fair value through Profit and Loss				
Investments listed on a recognised investment exchange	3,103,480	2,508,501	2,702,923	2,308,767
Unlisted investments	134,134	87,348	70,463	59,250
Investment in collective investment schemes (subsidiary companies, note 10)	-	-	300,477	149,336
Related and subsidiary companies (note 10)	-	-	98,776	60,246
	3,237,614	2,595,849	3,172,639	2,577,599
Investment property†	28,515	51,625	28,515	51,625
	3,266,129	2,647,474	3,201,154	2,629,224

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

2010 £000	Group Listed Investments	Investment Property	Unlisted Investments	Total
Opening book cost as at 1 February 2009	1,807,741	90,933	80,281	1,978,955
Gains on translation of investment in foreign subsidiaries	-	-	984	984
Opening unrealised (depreciation)/appreciation	(75,591)	(34,598)	7,348	(102,841)
Opening valuation	1,732,150	56,335	88,613	1,877,098
Movements in the period				
Purchases at cost*	1,209,224	179	56,415	1,265,818
Sales – proceeds*	(866,280)	(9,580)	(43,975)	(919,835)
– realised (losses)/gains on sales	(16,136)	(1,056)	1,134	(16,058)
Gains on translation of investment in foreign subsidiaries written back	-	-	(984)	(984)
Increase/(decrease) in appreciation on assets held	449,543	5,747	(13,855)	441,435
Closing valuation	2,508,501	51,625	87,348	2,647,474
Closing book cost	2,134,549	80,476	93,855	2,308,880
Closing appreciation/(depreciation) on assets held	373,952	(28,851)	(6,507)	338,594
Closing valuation as at 31 January 2010	2,508,501	51,625	87,348	2,647,474

2011 £000	Group Listed Investments	Investment Property	Unlisted Investments	Total
Opening book cost as at 1 February 2010	2,134,549	80,476	93,855	2,308,880
Opening unrealised appreciation/(depreciation)	373,952	(28,851)	(6,507)	338,594
Opening valuation	2,508,501	51,625	87,348	2,647,474
Movements in the period				
Purchases at cost*	1,482,058	17	53,428	1,535,503
Sales – proceeds*	(1,296,375)	(23,716)	(1,883)	(1,321,974)
– realised gains/(losses) on sales	198,364	(12,396)	16	185,984
Increase/(Decrease) in appreciation on assets held	210,932	12,985	(4,775)	219,142
Closing valuation	3,103,480	28,515	134,134	3,266,129
Closing book cost	2,518,596	44,381	145,416	2,708,393
Closing appreciation/(depreciation) on assets held	584,884	(15,866)	(11,282)	557,736
Closing valuation as at 31 January 2011	3,103,480	28,515	134,134	3,266,129

2010			Company		
£000	Listed Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 February 2009	1,784,063	90,933	57,057	80,281	2,012,334
Opening unrealised (depreciation)/appreciation	(65,802)	(34,598)	(21,855)	7,348	(114,907)
Opening valuation	1,718,261	56,335	35,202	87,629	1,897,427
Movements in the period					
Purchases at cost*	1,179,278	179	38,469	24,887	1,242,813
Sales – proceeds*	(864,448)	(9,580)	(3,602)	(43,975)	(921,605)
– realised (losses)/gains on sales	(15,612)	(1,056)	(1,937)	1,131	(17,474)
Increase/(Decrease) in appreciation on assets held	440,624	5,747	(7,886)	(10,422)	428,063
Closing valuation	2,458,103	51,625	60,246	59,250	2,629,224
Closing book cost	2,083,281	80,476	89,987	62,324	2,316,068
Closing appreciation/(depreciation) on assets held	374,822	(28,851)	(29,741)	(3,074)	313,156
Closing valuation as at 31 January 2010	2,458,103	51,625	60,246	59,250	2,629,224

2011			Company		
£000	Listed Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 February 2010	2,083,281	80,476	89,987	62,324	2,316,068
Opening unrealised appreciation/(depreciation)	374,822	(28,851)	(29,741)	(3,074)	313,156
Opening valuation	2,458,103	51,625	60,246	59,250	2,629,224
Movements in the period					
Purchases at cost*	1,425,013	17	43,290	17,855	1,486,175
Sales – proceeds*	(1,280,567)	(23,716)	(17)	(1,883)	(1,306,183)
– realised gains/(losses) on sales	190,250	(12,396)	-	16	177,870
Increase/(Decrease) in appreciation on assets held	210,601	12,985	(4,743)	(4,775)	214,068
Closing valuation	3,003,400	28,515	98,776	70,463	3,201,154
Closing book cost	2,417,976	44,381	133,260	78,312	2,673,929
Closing appreciation/(depreciation) on assets held	585,424	(15,866)	(34,484)	(7,849)	527,225
Closing valuation as at 31 January 2011	3,003,400	28,515	98,776	70,463	3,201,154

* 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 £3,858,000 for purchases (£3,908,000) and £2,457,000 for sales (£1,838,000).

A geographical analysis of the investment portfolio by broad industrial or commercial sector together with a list of the 50 largest quoted equity investments in the portfolio is given on pages 8 and 9. Both are unaudited.

The investment properties were valued as at 31 December 2010 by DTZ on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. DTZ have confirmed that in their opinion the valuation at 31 January 2011 is unchanged from this figure. The historic cost of the investment properties is £44,381,000 (£80,476,000).

The Company completed the sale of two of its investment properties in the period.

£000	Group Office premises freehold / Heritable property	Company Office premises freehold / Heritable property
Valuation at 31 January 2009	475	475
Valuation at 31 January 2010	475	475
Transfer from new office premises under construction	6,025	6,025
Valuation at 31 January 2010	6,500	6,500
Revaluation	(230)	(230)
Valuation at 31 January 2011	6,270	6,270

The company exchanged contracts on office permises at 64 Reform Street, Dundee during the period. The property has been valued at £245,000 on the basis of expected proceeds. The historic cost of the office premises is £292,000.

At 31 January 2010 DTZ valued the office premises at 8 West Marketgait, Dundee at £6.025m on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The Directors consider that this still approximates to fair value at 31 January 2011. The historic cost of the building as at 31 January 2011 was £13.8m.

£000	Group	Company
Other Fixed Assets		
Opening book cost at 1 February 2009	99	25
Additions	-	-
Disposals	(19)	-
Book cost at 31 January 2010	80	25
Additions	40	40
Disposals	(29)	(15)
Book cost at 31 January 2011	91	50
Opening depreciation at 1 February 2009	(91)	(19)
Depreciation charge	(5)	(3)
Disposals	19	-
Depreciation at 31 January 2010	(77)	(22)
Depreciation charge	(16)	(16)
Disposals	29	15
Depreciation at 31 January 2011	(64)	(23)
Net book value at 31 January 2010	3	3
Net book value at 31 January 2011	27	27

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	Deposit taking, provision and administration of investment and pension products
Alliance Trust (Finance) Limited ('ATF')	Ordinary	Scotland	Asset holding
Alliance Trust Pensions Limited ('ATP')	Ordinary	England	Pension trustee
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 Asset Management Limited ('ATAM')	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
Albany Ventures GP I Limited ('AVGP1')	Ordinary	Scotland	Private equity general partner
Alliance Trust (PE Manco) Limited ('AT PE Manco')	Ordinary	Scotland	Investment Company
ATEP 2007 GP Limited ('ATEP 2007GP')	Ordinary	Scotland	Private equity general partner
ATEP 2008 GP Limited ('ATEP 2008GP')	Ordinary	Scotland	Private equity general partner
ATEP 2009 GP Limited ('ATEP 2009GP')	Ordinary	Scotland	Private equity general partner
ATEP 2010 GP Limited ('ATEP 2010GP')	Ordinary	Scotland	Private equity general partner
Allsec Nominees Limited	Guarantee	Scotland	Nominee
Alliance Trust Savings Nominees Limited	Guarantee	Scotland	Nominee

The investments in subsidiary companies are valued in the Company's accounts at £98,776,000 (£60,246,000) being the net asset value of the Company's equity interest taking into account securities at fair value.

At 31 January 2011 the Company owned 100% of ATS, ATF, AT2006, SAL, ATREP, ATSL, ATAM, ATEP and AT PE Manco.

ATS owns 100% of ATP, AT2006 owns 100% of SATL, ATEP owns 100% of ATEPL, AVMGP, AVGP1, ATEP 2007GP, ATEP 2008GP, ATEP 2009GP and ATEP 2010GP.

The Company has seed funded both Premier Alliance Trust Investment Funds Limited ('PATIF') and Alliance Trust Investment Funds Limited ('ATIF'). Both are UK domiciled Open Ended Investment Companies (OEIC's). During the year, management took the decision to combine the operation of the PATIF subfunds within the ATIF structure via a Scheme of Arrangement. This transition was completed in October 2010, and PATIF is now in the process of being wound up.

As at 31 January 2011 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:

	2011 Proportion %	2011 Value £000	2010 Proportion %	2010 Value £000
UK Equity Income Fund	92.1	42,283	93.4	35,562
North American Equity Fund	71.6	41,367	86.8	35,119
European Equity Income Fund	77.2	10,999	92.4	9,543
Monthly Income Bond Fund	68.6	124,171	-	-
Asia Pacific Equity Fund*	94.9	47,670	94.4	39,709
Japan Equity Fund*	98.1	33,987	97.8	29,403
	78.3	300,477	92.8	149,336

* These were PATIF funds at 31 January 2010

11 Goodwill

£000	Group
Cost	
At 1 February 2009	297
At 31 January 2010	297
At 31 January 2011	297
Accumulated Impairment Losses	
At 31 January 2009	-
At 31 January 2010	-
Impairment losses for the year	(297)
At 31 January 2011	(297)
Carrying Amount	
At 31 January 2009	297
At 31 January 2010	297
At 31 January 2011	-

The Group has one business combination on which goodwill has been recognised, the acquisition of a private equity asset management business.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

£000	2011	2010
Private equity asset management business	-	297
	-	297

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each CGU.

The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 5% (5%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 15% post tax (15%).

Management have announced their intention to close the private equity asset management business as part of our strategy to focus on delivering investment performance from our quoted equity and fixed income portfolios. Consequently the projected future cash flows were not sufficient to justify carrying forward any goodwill for this CGU and this was therefore fully amortised in the year.

12 Other intangible assets

£000	Group Technology systems	Company Technology systems
Opening book cost at 1 February 2009	8,142	1,957
Additions	-	-
Book cost at 1 February 2010	8,142	1,957
Additions	692	211
Book cost at 31 January 2011	8,834	2,168
Opening amortisation at 1 February 2009	(3,188)	(834)
Amortisation	(1,605)	(388)
Amortisation at 1 February 2010	(4,793)	(1,222)
Amortisation	(1,696)	(404)
Amortisation as at 31 January 2011	(6,489)	(1,626)
Carrying amount as at 31 January 2010	3,349	735
Carrying amount as at 31 January 2011	2,345	542

Amortisation is included within administrative expenses in the income statement.

13 Deferred Tax

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

Group

£000	Retirement benefit obligations	Accelerated Tax Depreciation	Tax losses	Foreign Tax	Other	Total
At 1 February 2009 – (liability)/asset	438	(757)	6	-	(68)	(381)
Income statement – DT credit	-	255	-	-	259	514
Income statement – DT (charge)	-	-	(6)	-	-	(6)
Equity – DT credit	14	-	-	-	-	14
At 31 January 2010 – asset/(liability)	452	(502)	-	-	191	141
Income statement – DT credit	-	369	-	-	-	369
Income statement – DT (charge)	-	-	-	(152)	(131)	(283)
Equity – DT (charge)	(348)	-	-	-	-	(348)
At 31 January 2011 – (liability)/asset	104	(133)	-	(152)	60	(121)

At the balance sheet date, the Group had unused tax losses of £26.8m (£20.5m) available for offset against future profits.
There are unrecognised deferred tax assets of £2.8m (£3.0m) in relation to share based payments, £7.2m (£5.7m) in respect of unused tax losses, £1.2m (£0.9m) in relation to fixed asset timing differences, £nil (£0.4m) in relation to foreign tax on mineral rights income, £nil (£0.9m) in relation to retirement benefit obligations, and £0.5m (£nil) in relation to short term timing differences.

Company

£000	Retirement benefit obligations	Accelerated tax depreciation	Foreign Tax	Other	Total
At 1 February 2009 – (liability)/asset	438	(774)	-	(71)	(407)
Income statement – DT credit	-	255	-	138	393
Equity DT credit	14	-	-	-	14
At 31 January 2010 – asset/(liability)	452	(519)	-	67	-
Income statement – DT credit	-	368	-	-	368
Income statement – DT (charges)	-	-	(152)	(20)	(172)
Equity – DT (charge)	(348)	-	-	-	(348)
At 31 January 2011 – (liability)/asset	104	(151)	(152)	47	(152)

At the balance sheet date, the Company had unused tax losses of £1.1m (£nil) available for offset against future profits.

There are unrecognised deferred tax assets of £nil (£0.4m) in relation to foreign tax on mineral rights income, £nil (£0.9m) in relation to retirement benefit obligations, £0.2m (£nil) in relation to short term timing differences, and £0.3m (£nil) in relation to unused tax losses.

14 Outstanding Settlements and Other Receivables

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Other receivables				
Dividends receivable	2,521	1,518	2,521	1,518
Other income receivable	6,972	1,095	6,559	804
Amounts receivable in respect of sales of investments awaiting settlement	20,460	3,050	13,729	2,904
Amount due from subsidiary companies	-	-	6,337	2,668
Other debtors	17,098	11,362	541	2,622
	47,051	17,025	29,687	10,516

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

15 Outstanding Settlements and Other Payables

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Amounts due to depositors	238,357	212,427	-	-
Amounts due to third party investors	83,346	-	-	-
Amounts payable in respect of purchases of investments awaiting settlement	30,769	6,434	24,767	4,760
Amounts due to subsidiary companies	-	-	2,211	2,247
Dividend payable	-	13,472	-	13,472
Other creditors	31,033	20,527	5,635	4,007
	383,505	252,860	32,613	24,486

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

16 Bank Overdrafts and Loans

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Bank loans repayable within one year	338,997	160,000	338,997	160,000
Analysis of borrowings by currency:				
Bank loans – Sterling	290,000	160,000	290,000	160,000
Bank loans – Euros	48,997	-	48,997	-
The weighted average % interest rates payable:				
Bank loans	1.85%	1.22%	1.85%	1.22%
The Directors estimate the fair value of the borrowings:				
Bank loans	338,997	160,000	338,997	160,000

17 Share Capital

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Authorised:				
– 720,000,000 ordinary shares of 2.5p each	18,000	18,000	18,000	18,000
Allotted, called up and fully paid:				
– 661,059,760 ordinary shares of 2.5p each	16,527	16,677	16,527	16,677

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

The Employee Benefit Trust holds 1,770,203 (1,789,960) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee increased its holding by nil (19,776) shares with funds provided by the Company. 19,757 (72,486) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

Share capital reconciliation	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Ordinary shares of 2.5p each				
Opening share capital	16,677	16,798	16,677	16,798
Share buy back	(150)	(121)	(150)	(121)
Closing share capital	16,527	16,677	16,527	16,677

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 the inside cover. This is undertaken by the Asset Allocation Commitee within parameters set by the Board.

The Company does not have any externally imposed capital requirements.

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

18 Reserves

Group

£000	Share Capital	Capital Reserves	Revaluation Reserve	Merger Reserve	Capital Redemption Reserve	Revenue Reserves	Translation Reserve	Minority Interest	Total
Net Assets at 31 January 2009	16,798	1,378,674	183	645,335	2,200	78,806	984	6,734	2,129,714
Dividends	-	-	-	-	-	(57,363)	-	-	(57,363)
Unclaimed dividends	-	-	-	-	-	4	-	-	4
Net profit for year	-	415,811	-	-	-	50,592	-	1,769	468,172
Own shares purchased	(121)	(15,405)	-	-	121	-	-	-	(15,405)
Pension Scheme Financing	-	(3,230)	-	-	-	-	-	-	(3,230)
SMEIP/LTIP reserve movement	-	900	-	-	-	(22)	-	-	878
Wind up of foreign subsidiary	-	-	-	-	-	-	(984)	-	(984)
PATIF and ATIF net subscriptions	-	-	-	-	-	-	-	3,181	3,181
Net Assets at 31 Jan 2010	16,677	1,776,750	183	645,335	2,321	72,017	-	11,684	2,524,967
Minority interest transfer to liability	-	-	-	-	-	-	-	(11,684)	(11,684)
Dividends	-	-	-	-	-	(54,599)	-	-	(54,599)
Unclaimed dividends	-	-	-	-	-	33	-	-	33
Net profit for year	-	397,657	-	-	-	54,090	-	-	451,747
Own shares purchased	(150)	(19,800)	-	-	150	-	-	-	(19,800)
Pension Scheme Financing	-	2,729	-	-	-	-	-	-	2,729
LTIP reserve movement	-	1,294	-	-	-	-	-	-	1,294
Revaluation reserve	-	-	(183)	-	-	-	-	-	(183)
Net assets at 31 Jan 2011	16,527	2,158,630	-	645,335	2,471	71,541	-	-	2,894,504

Company

£000	Share Capital	Capital Reserves	Revaluation Reserve	Merger Reserve	Capital Redemption Reserve	Revenue Reserves	Total
Net Assets at 31 January 2009	16,798	1,372,536	183	645,335	2,200	85,539	2,122,591
Dividends	-	-	-	-	-	(57,363)	(57,363)
Unclaimed dividends	-	-	-	-	-	4	4
Net profit for year	-	404,222	-	-	-	61,125	465,347
Own shares purchased	(121)	(15,405)	-	-	121	-	(15,405)
Pension Scheme Financing	-	(3,230)	-	-	-	-	(3,230)
LTIP reserve movement	-	899	-	-	-	(6)	893
Net Assets at 31 January 2010	16,677	1,759,022	183	645,335	2,321	89,299	2,512,837
Dividends	-	-	-	-	-	(54,599)	(54,599)
Unclaimed dividends	-	-	-	-	-	33	33
Net profit for year	-	388,855	-	-	-	63,787	452,642
Own shares purchased	(150)	(19,800)	-	-	150	-	(19,800)
Pension Scheme Financing	-	2,729	-	-	-	-	2,729
SMEIP/LTIP reserve movement	-	845	-	-	-	-	845
Revaluation reserve	-	-	(183)	-	-	-	(183)
Net assets at 31 January 2011	16,527	2,131,651	-	645,335	2,471	98,520	2,894,504

The reserves distributable by way of a dividend are £98.5m (£89.3m) which is represented by the revenue reserves.
Share buy backs are funded through realised capital reserves.

19 Net Asset Value per Ordinary Share

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Equity shareholder funds	2,894,504	2,513,283	2,894,504	2,512,837
Number of shares at period end - Basic	659,289,557	665,269,800	659,289,557	665,269,800
Number of shares at period end - Diluted	661,059,760	667,059,760	661,059,760	667,059,760

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

To arrive at the basic figure the number of shares has been reduced by 1,770,203 (1,789,960) shares held by the Trustee of the Employee Benefit Trust.

During the year the Trustee increased its holding by nil (19,776) shares with funds provided by the Company. 19,757 (72,486) shares were transferred from the Employee Benefit Trust to participants in the LTIP in satisfaction of awards.

20 Segmental Reporting

Alliance Trust PLC has identified 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.

Alliance Trust PLC's primary operating segments are the Company and Alliance Trust Savings Limited (ATS). Alliance Trust Asset Management does not exceed the quantitative thresholds in IFRS 8 and is therefore not reported on in this note.

The Company is a self-managed investment company with investment trust status. ATS provides share dealing and pension administration services.

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

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

All operating segments operate within the United Kingdom.

Revenue and Expenditure	**Year ending 31 January 2011**		
£000	**Company**	**ATS**	**Total**
Revenue			
Investment gains	391,938	1,434	393,372
Net interest income	249	2,744	2,993
Non interest income	86,588	8,585	95,173
Segment revenue	478,775	12,763	491,538
Expenditure			
Depreciation and amortisation	419	1,269	1,688
Total depreciation and amortisation	419	1,269	1,688
Segment operating profit/(loss) before tax	457,010	(5,446)	451,564

Revenue and Expenditure	Year ended 31 January 2010		
£000	**Company**	**ATS**	**Total**
Revenue			
Investment gains	410,230	-	410,230
Net interest income	748	1,710	2,458
Non interest income	80,465	8,223	88,688
Segment revenue	491,443	9,933	501,376
Expenditure			
Depreciation and amortisation	391	1,210	1,601
Total depreciation and amortisation	391	1,210	1,601
Segment profit / (loss) before tax	469,566	(7,749)	461,817

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

Revenue £000	Year ended 31 January 2011	Year ended 31 January 2010
Total revenues for reportable segments	491,538	501,376
Other revenues	42,383	27,929
Elimination of intersegment revenues	(5,353)	(4,125)
Elimination of movement in investment in subsidiaries	(21,499)	(6,510)
Consolidated revenue	507,069	518,670
Expenditure		
Total depreciation and amortisation for reportable segments	1,688	1,601
Other depreciation and amortisation	24	9
Consolidated depreciation and amortisation	1,712	1,610

Profit £000	Year ended 31 January 2011	Year ended 31 January 2010
Total profit for reportable segments	451,565	461,817
Elimination of movement in investment in subsidiaries	4,694	11,567
Consolidated profit before tax	456,259	473,384

Assets and liabilities	Year ended 31 January 2011		
£000	**Company**	**ATS**	**Total**
Reportable segment assets	3,267,680	274,261	3,541,941
Reportable segment liabilities	(373,176)	(263,245)	(636,421)
Total net assets	2,894,504	11,016	2,905,520

Assets and liabilities	Year ended 31 January 2010		
£000	**Company**	**ATS**	**Total**
Reportable segment assets	2,703,857	237,870	2,941,727
Reportable segment liabilities	(191,020)	(225,880)	(416,900)
Total net assets	2,512,837	11,990	2,524,827

Reconciliation of reportable segment assets to consolidated amounts

Revenue £000	Year ended 31 January 2011	Year ended 31 January 2010
Reportable segment assets	3,541,941	2,941,727
Third party assets and other subsidiaries	77,756	3,698
Consolidated assets	3,619,697	2,945,425

Reconciliation of reportable segment liabilities to consolidated amounts

Revenue £000	Year ended 31 January 2011	Year ended 31 January 2010
Reportable segment liabilities	(636,421)	(416,900)
Third party liabilities and other subsidiaries	(88,772)	(3,558)
Consolidated liabilities	**(725,193)**	**(420,458)**

21 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 period the following amounts were reimbursed/(repaid).

Alliance Trust Services £000	Year ended 31 January 2011	Year ended 31 January 2010
Paid by Alliance Trust (the Company)	12,199	12,725
Paid to Alliance Trust	(11,078)	(11,622)
	1,121	1,103
Paid by Alliance Trust Savings Limited	16,405	16,841
Paid to Alliance Trust Savings Limited	(501)	(524)
	15,904	16,317
Paid by Alliance Trust Asset Management	4,488	3,310
Paid to Alliance Trust Asset Management	(250)	(378)
	4,238	2,932
Paid by Alliance Trust Equity Partners (Holdings) Limited	1,461	1,580
Paid to Alliance Trust Equity Partners (Holdings) Limited	(17)	(139)
	1,444	1,441
Paid by Second Alliance Leasing	2	-
Paid to Second Alliance Leasing	-	-
	2	-
Paid by Alliance Trust (Finance) Limited	1,018	-
Paid to Alliance Trust (Finance) Limited	(1,017)	-
	1	-
Paid by Alliance Trust Real Estate Partners	10	-
Paid to Alliance Trust Real Estate Partners	(11)	-
	(1)	-

Transactions with key management personnel

Details of the Executive and Non Executive Directors are disclosed in the Governance section of the report on pages 28 and 29. 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	**2011**	**2010**	**2011**	**2010**
Total emoluments	2,720	2,719	1,403	1,635
Termination benefits in respect of former key management personnel	-	455	-	226
Post retirement benefits	183	204	94	112
Equity compensation benefits	981	809	547	623
	3,884	4,187	2,044	2,596

22 Analysis of change in net funds

Group

£000	2009	Cash flow	Exchange gains	2010	Cash flow	Exchange losses	2011
Cash and cash equivalents	507,033	(233,231)	(4,327)	269,475	25,755	125	295,355
Bank loans and overdraft	(50,000)	(110,000)	-	(160,000)	(178,997)	-	(338,997)
	457,033	(343,231)	(4,327)	109,475	(153,242)	125	(43,642)

Company

£000	2009	Cash flow	Exchange gains	2010	Cash flow	Exchange losses	2011
Cash and cash equivalents	297,046	(238,300)	(3,028)	55,718	(29,069)	862	27,511
Bank loans and overdraft	(50,000)	(110,000)	-	(160,000)	(178,997)	-	(338,997)
	247,046	(348,300)	(3,028)	(104,282)	(208,066)	862	(311,486)

23 Financial commitments

Financial commitments as at 31 January 2011, which have not been accrued, for the Group and the Company totalled £194,805,000 (£174,918,000).

Of this amount £194,805,000 (£174,918,000) was in respect of uncalled subscriptions in investments structured as limited partnerships of which £193,298,000 relates to investments in our private equity portfolio. The remaining balance relates to a commitment to invest £1,507,000 in Limited Liability Partnerships. This is the maximum amount that the Company may be required to invest. 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		Company	
£000	2011	2010	2011	2010
< 1 year	818	10,000	818	10,000
1-5 years	9,924	10,762	9,924	10,762
5-10 years	184,063	154,156	184,063	154,156
	194,805	174,918	194,805	174,918

Private equity financial commitments have been reduced by £17,000,000 since the year end.

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

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

24 Financial instruments and Risk

The Directors' Report details the Company's approach to investment risk management on pages 22 and 23 and the accounting policies on pages 55 to 59 explain the basis on which currencies and investments are valued for accounting purposes.

The Directors are of the opinion that the fair value 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 2010.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the Company comprising issued capital, reserves and retained earnings as disclosed in Note 18 to the financial statements.

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

	Group		**Company**	
£000	**2011**	**2010**	**2011**	**2010**
Debt	(338,997)	(160,000)	(338,997)	(160,000)
Cash and cash equivalents	295,355	269,475	27,511	55,718
Net (debt)/cash	(43,642)	109,475	(311,486)	(104,282)
Net (debt)/cash as % of net assets	(1.5%)	4.3%	(10.8%)	(4.1%)

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 the inside cover. 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 22 and 23. The objectives, policies and processes for managing the risks, and the methods used to measure the risks have not changed from the previous accounting period.

24.1 Market Risk

Market risk embodies the potential for both losses and gains and includes currency risk (see note 24.2), interest rate risk (see note 24.3) and price risk (see note 24.4). 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 the inside cover (unaudited).

Details of the investment portfolio at the balance sheet date are disclosed on pages 8 and 9.

24.2 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 AAC within parameters set by the Directors on investment and asset allocation strategies and risk.

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 2011	Net monetary assets 2011	Total currency exposure 2011	Overseas investments 2010	Net monetary assets 2010	Total currency exposure 2010
US dollar	584,904	2,006	586,910	548,402	9,647	558,049
Euro	288,077	5,568	293,645	245,261	494	245,755
Yen	185,308	-	185,308	118,856	-	118,856
Other non-sterling	732,333	14,156	746,489	436,690	10,694	447,384
	1,790,622	21,730	1,812,352	1,349,209	20,835	1,370,044

Currency Exposure (Company)

£000	Overseas investments 2011	Net monetary assets 2011	Total currency exposure 2011	Overseas investments 2010	Net monetary assets 2010	Total currency exposure 2010
US dollar	584,904	2,006	586,910	548,402	9,647	558,049
Euro	288,077	5,568	293,645	245,261	494	245,755
Yen	185,308	-	185,308	118,856	-	118,856
Other non-sterling	732,333	14,156	746,489	436,690	10,694	447,384
	1,790,622	21,730	1,812,352	1,349,209	20,835	1,370,044

Sensitivity analysis

If the pound had strengthened by 5% relative to all currencies on the reporting date, 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 2010. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Income Statement				
Revenue return	(1,705)	(1,408)	(1,705)	(1,408)
Capital return	(89,531)	(67,460)	(89,531)	(67,460)
Net Assets	(91,236)	(68,868)	(91,236)	(68,868)

A 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.

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

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Exposure to floating interest rates				
Cash at Bank	205,362	269,475	27,511	55,718
Bank loans	(338,997)	(160,000)	(338,997)	(160,000)
	(133,635)	109,475	(311,486)	(104,282)

Sensitivity analysis

If interest rates had decreased by 0.25% (0.25%) on the reporting date, 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 revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Income Statement				
Revenue return	(41)	(525)	397	1
Capital return	398	267	398	267
Net Assets	357	(258)	795	268

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Income Statement				
Revenue return	(529)	9	(380)	6
Capital return	(398)	(267)	(398)	(267)
Net Assets	(927)	(258)	(778)	(261)

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Exposure to fixed interest rates				
Investments at fair value				
Preference shares	6,320	30,614	6,320	17,474
Gilts	31,580	29,648	-	-
Bonds	179,389	6,841	8,975	6,841
Treasury bills	89,993	-	-	-
	307,282	67,103	15,295	24,315

Sensitivity analysis – Treasury Bills

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Income Statement				
Revenue return	-	-	-	-
Capital return	7	-	-	-
Net Assets	7	-	-	-

Preference shares and bonds are all in UK companies and along with gilts are included in the other price risk section below as that is considered to be more relevant for these instruments.

24.4 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 AAC 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 8 and 9. This shows that the largest amount of equity investments by value is in UK companies, with significant amounts also in Asia and North America. 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	**2011**	**2010**	**2011**	**2010**
Fixed Asset Investments at Fair Value through Profit & Loss				
Listed	3,103,480	2,508,501	2,702,923	2,308,767
Unlisted	134,134	87,348	70,463	59,250
Investments in collective investment scheme	-	-	300,477	149,336
Related and Subsidiary Companies	-	-	98,776	60,246
Property	28,515	51,625	28,515	51,625
	3,266,129	2,647,474	3,201,154	2,629,224

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

Sensitivity analysis

93.8% (93.5%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% at the reporting date with all other variables remaining 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 for last year assumed a share price decrease of 10%.

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Income Statement				
Revenue return	-	-	-	-
Capital return	(310,348)	(250,850)	(300,340)	(245,810)
Net Assets	(310,348)	(250,850)	(300,340)	(245,810)

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.

24.5 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.

None of the Group's financial assets are secured by collateral or other credit enhancements. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

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

	Group		Company	
£000	**2011**	**2010**	**2011**	**2010**
Credit Rating				
Aaa	**114,366**	21,001	**21,915**	21,000
Aa2	**10,075**	10,035	**-**	-
Aa3	**170,914**	238,439	**5,596**	34,718
	295,355	269,475	**27,511**	55,718
Average maturity	**3 days**	4 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	**2011**	**2010**	**2011**	**2010**
iBoxx Rating				
AAA	**8,065**	0	**0**	0
AA	**21,462**	0	**0**	0
A	**86,519**	0	**0**	0
BBB	**54,701**	0	**0**	0
BB	**5,760**	0	**0**	0
	176,507	0	**0**	0

The Company's UK listed equities are held in CREST, 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.

Other than outlined above there were no significant concentrations of credit risk to counterparties at the reporting date.

No individual investment exceeded 4% (3%) of net assets attributable to equity holders of the parent.

24.6 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	2011	Expires	2010	Expires
Committed multi currency facility – RBS	-	-	100,000	31/12/2010
Amount drawn	-	-	61,000	-
Committed multi currency facility – RBS	100,000	31/8/2012	100,000	31/08/2012
Amount drawn	100,000	-	99,000	-
Committed multi currency facility – RBS	100,000	1/4/2012	-	-
Amount drawn	90,000	-	-	-
Committed multi currency facility – RBS	100,000	31/12/2013	-	-
Amount drawn	100,000	-	-	-
Committed multi currency facility – Santander	50,000	30/9/2012	-	-
Amount drawn	48,997	-	-	-
Committed multi currency facility – Scotiabank	100,000	22/12/2011	-	-
Amount drawn	-	-	-	-
Total facilities	450,000	-	200,000	-
Total drawn	338,997	-	160,000	-

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 Ltd, held client deposits of £238m (£212m). These deposits are placed with various financial institutions as per note 24.5 above.

24.7 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	2011	2010	2011	2010
Investments after gearing	3,266,129	2,647,474	3,201,154	2,629,224
Gearing	(338,997)	(160,000)	(338,997)	(160,000)
Investments before gearing	2,927,132	2,487,474	2,862,157	2,469,224

Sensitivity analysis

If net assets before gearing had decreased by 10% as at the reporting date, with all other variables held constant, the income statement 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	2011	2010	2011	2010
Income Statement				
Revenue return	-	-	-	-
Capital return	(33,900)	(16,000)	(33,900)	(16,000)
Net Assets	(33,900)	(16,000)	(33,900)	(16,000)

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.

24.8 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.

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

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

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

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

Group Valuation hierarchy fair value through profit and loss

	As at 31 January 2011				As at 31 January 2010			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	3,103,480	-	-	3,103,480	2,508,501	-	-	2,508,501
Private equity	-	-	123,387	123,387	-	-	75,011	75,011
	3,103,480	-	123,387	3,226,867	2,508,501	-	75,011	2,583,512

Company Valuation hierarchy fair value through profit and loss

	As at 31 January 2011				As at 31 January 2010			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	3,003,400	-	-	3,003,400	2,458,103	-	-	2,458,103
Private equity	-	-	59,713	59,713	-	-	46,912	46,912
	3,003,400	-	59,713	3,063,113	2,458,103	-	46,912	2,505,015

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

£000	**Group**	**Company**
Balance at 31 January 2010	75,011	46,912
Net losses from financial instruments at fair value through profit or loss	(3,185)	(3,185)
Purchases at cost	53,428	17,853
Sales proceeds	(1,883)	(1,883)
Realised gain on sale	16	16
Balance at 31 January 2011	123,387	59,713

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

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

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

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

25 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 to 31 January 2011 awards of £2,000 (£1,500) per person will be made. The maximum cost of all awards for the year to 31 January 2011 will be £462,000 (£343,000) of which the Company will pay £123,000 (£98,000). The charge to the income statement in the period was £435,000 (£424,000) of which the Company was £125,000 (£117,000).

Long Term Incentive Plan ('LTIP')

The LTIP is a discretionary plan for executive Directors and senior managers which replaced the Senior Management Equity Investment Plan (SMEIP) in 2007. 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 to 31 January 2011 participating employees applied a proportion of their annual cash bonuses for the year ended 31 January 2010 to purchase 103,112 (288,730) shares of Alliance Trust PLC at a price of £3.48 (£2.84) per share. Matching awards of up to 297,750 (527,449) shares and performance awards of up to 657,194 (650,544) were granted.

Matching awards and performance awards made during the year were valued at £485,000 (£900,000) and £1,072,000 (£1,110,000) respectively.

The fair value of awards granted during the year was calculated using a binomial methodology. The assumptions used were a share price of £3.40 (£2.83), share price volatility of 21% (33.7%) based on a long term average (5 year weekly average), dividend yield of 2.4% (2.8%), a risk free interest rate of 1.21% (3.77%) and forfeiture of nil (nil).

The cumulative charge to the income statement during the year for the cost of the LTIP (2010: LTIP & SMEIP) awards referred to above was £1,294,000 (£878,000) for the Group and £845,000 (£893,000) 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 (2010: LTIP & SMEIP) are as follows:

	Group 2011		**Group 2010**	
£000	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at 1 February	3,163,460	£0.00	2,495,337	£0.00
Granted during year	954,944	£0.00	1,177,993	£0.00
Exercised during year	-	£0.00	(72,486)	£0.00
Forfeited during year	(84,714)	£0.00	(401,529)	£0.00
Expired during year	(1,205,739)	£0.00	(35,855)	£0.00
Outstanding at 31 January	2,827,951	£0.00	3,163,460	£0.00
Exercisable at 31 January	-	£0.00	-	£0.00

The weighted average remaining contractual life of the options outstanding at 31 January 2011 was 588 days (567 days).

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

No options vested during the year. The weighted average share price at the exercise date for the shares vesting in the previous year was £2.79 per share.

26 Pension Scheme

The Group sponsors two pension arrangements.

The Alliance Trust Companies' Pension fund (the 'Scheme') is a funded defined benefit pension scheme which is now closed to new entrants. Following a consultation process between the Participating Employer, Scheme Members and the Scheme Trustee, members will cease to accrue benefits under the Scheme from 2 April 2011.

Employees who joined the Group pursuant to an offer made after 1 March 2005 are not entitled to join the scheme but are entitled to receive contributions into their own Self Invested Personal Pension provided by Alliance Trust Savings Limited.

The disclosures which follow relate to the Scheme and reflect the December 2004 amendment to IAS 19.

Participating Employers

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

Valuation and Contributions

The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 April 2009 although for the purpose of these calculations the results of the 1 April 2009 valuation have been updated on an approximate basis to 31 January 2011. Valuations are on the projected unit credit method.

The contributions made by the Participating Employer over the financial year have been £3,760,000 (£880,000), this includes a one off contribution of £3,000,000 (nil). The level of contribution was reviewed following the triennial valuation of the Scheme as at 1 April 2009 and agreed as 34.5% of pensionable salaries.

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

£000	Year ending 31 January 2011	Year ending 31 January 2010
Defined benefit obligation at start of year	27,845	20,891
Current service cost	836	821
Interest cost	1,566	1,295
Actuarial (gains)/losses	(1,344)	5,263
Benefits paid	(716)	(425)
Defined benefit obligation at end of year	28,187	27,845

The Group has no unfunded pension obligations.

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

£000	Year ending 31 January 2011	Year ending 31 January 2010
Fair value of assets at start of year	22,924	19,326
Expected return on assets	1,332	1,124
Actuarial gains	1,733	2,019
Contributions by employer	3,760	880
Benefits paid	(716)	(425)
Fair value of assets at end of year	29,033	22,924

Total expense recognised in income statement

£000	Year ending 31 January 2011	Year ending 31 January 2010
Current service cost	836	821
Interest on pension scheme liabilities	1,566	1,295
Expected return on pension scheme assets	(1,332)	(1,124)
Total expense	1,070	992

Gains/(losses) recognised in statement of comprehensive income

£000	Year ending 31 January 2011	Year ending 31 January 2010
Difference between expected and actual return on scheme assets:		
Amount	1,733	2,019
Percentage of scheme assets	6%	9%
Experience gains arising on the scheme liabilities:		
Amount	409	255
Percentage of present value of scheme liabilities	1%	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount	935	(5,518)
Percentage of present value of scheme liabilities	3%	(20%)
Total amount recognised in statement of comprehensive income:		
Amount	3,077	(3,244)
Percentage of present value of scheme liabilities	11%	(12%)

Assets

£000	Year ending 31 January 2011	Year ending 31 January 2010	Year ending 31 January 2009
Equities	17,192	11,309	9,009
Bonds	11,703	11,091	10,268
Other	138	524	49
	29,033	22,924	19,326

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

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

Expected long term rates of return

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

%	31 January 2011	31 January 2010	31 January 2009
Equities	7.20	7.20	7.20
Bonds	4.50	4.50	4.50
Other	0.50	0.50	1.50
Overall for scheme	6.08	5.74	5.75

Actual return on plan assets

The actual return on the plan assets over the year ending 31 January 2011 was a gain of 13% (gain of 16%).

Assumptions

%	31 January 2011	31 January 2010	31 January 2009
RPI Inflation	3.70	3.70	3.40
CPI Inflation	3.20	-	-
Salary increases	4.70	4.70	4.40
Rate of discount	5.60	5.70	6.20
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.70	3.70	3.40
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	3.20	-	-

The Government recently announced that statutory revaluation will change to use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) which is currently used.

The potential impact to the Scheme for changes from RPI to CPI has been considered by the Trustees and the assumption for increases in deferred revaluation is now moving from RPI to CPI for the year end 31 January 2011. In applying this adjustment, we have assumed that the long term CPI assumption is 0.5% lower than the corresponding RPI assumption.

The Mortality assumptions adopted at 31 January 2011 imply the following life expectancies from age 65.

	Years
Male currently age 45	24.2
Female currently age 45	26.7
Male currently age 65	22.2
Female currently age 65	24.8

Sensitivities

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

Assumption	Change in assumption Increase	Estimated impact on scheme liabilities Increase/(Decrease)	Change in assumption Decrease	Estimated impact on scheme liabilities Increase/(Decrease)
Salary increases	0.1%	£118,000	0.1%	(£115,000)
Pension in payment increases	0.1%	£430,000	0.1%	(£420,000)
Revaluation of deferred pension increases	0.1%	£152,000	0.1%	(£149,000)
Discount rate	0.1%	(£669,000)	0.1%	(£690,000)
Life expectancy	1 year	£721,000	1 year	(£711,000)

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

£000	Year ending 31 January 2011	Year ending 31 January 2010	Year ending 31 January 2009
Present value defined benefit obligation	28,187	27,845	20,891
Fair value of plan assets	29,033	22,924	19,326
Surplus/(Deficit) in scheme	846	(4,921)	(1,565)

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 £1,445,000.

All actuarial gains and losses are recognised immediately.

Best estimate of contributions to be paid to plan for the period ending 31 December 2011

The best estimate of contributions to be paid to the Scheme for the period ending 31 December 2011 is £nil (£688,000), being 34.5% (27.6%) of total pensionable salaries of Scheme members who remained in active employment at 31 January 2011. This takes account of the fact that the scheme closed to accrual on 2 April 2011.

Amounts for the current and previous four years

£000	2011	2010	2009	2008	2007
Fair value of assets	29,033	22,924	19,326	20,686	20,872
Defined benefit obligation	28,187	27,845	20,891	19,069	20,691
Surplus/(Deficit) in scheme	846	(4,921)	(1,565)	1,617	181
Experience adjustment on plan liabilities	409	255	(494)	56	(357)
Experience adjustment on plan assets	1,733	2,019	(3,343)	(299)	(183)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	935	(5,518)	555	1,647	1,106

27 Operating lease commitments

As at 31 January 2011 the Group and Company had total future minimum lease payments under non cancellable operating leases as follows:

	31 January 2011		31 January 2010	
£000 Group	**Land and buildings**	**Other**	**Land and buildings**	**Other**
Lease commitments due				
Within 1 year	-	-	-	-
Within 2-5 years	591	189	591	198
After 5 years	-	-	-	-

	31 January 2011		31 January 2010	
£000 Company	**Land and buildings**	**Other**	**Land and buildings**	**Other**
Lease commitments due				
Within 1 year	-	-	-	-
After 2-5 years	591	6	591	-
After 5 years	-	-	-	-

Information for shareholders

Incorporation

Alliance Trust PLC is incorporated in Scotland with the registered number 1731.

The Company's Register of Members is held at Computershare Investor Services PLC, Lochside House, 7 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ.

General Enquiries

If you have an enquiry about the Company, please contact the Company Secretary at our registered office:

8 West Marketgait,
Dundee DD1 1QN
Tel: 01382 321000
Fax: 01382 321185
Email: investor@alliancetrust.co.uk

For security and compliance monitoring purposes telephone calls may be recorded.

Investor Relations

Our Head of Investor Relations can be contacted at our registered office (detailed above).

Our website www.alliancetrust.co.uk contains information about the Company, including daily price and net asset value. The Investor Relations section of the website contains the terms of reference of the Audit, Remuneration and Nomination Committees.

Registrars

Our registrars are:

Computershare Investor Services PLC
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company's registrars at the above address, which should also be contacted if you would like dividends on shares registered in your own name to be sent to your bank or building society account. You may check your holdings and view other information about Alliance Trust shares registered in your own name at www.computershare.com.

Data Protection

The Company is a data controller as defined under the Data Protection Act 1998. Information received from or about shareholders or investors (for example from a stockbroker), whether by telephone or in writing, by fax or by any other electronic or digital means of communication may be processed.

Information held on the Company's Register of Members is, by law, information to which the public may, for a proper purpose, have access and the Company cannot prevent any person inspecting it or having copies of it for such purpose, on payment of the statutory fee.

Electronic Communications

If you hold your shares in your own name, we are able to send you annual reports and notices of meetings electronically instead of in paper format. If you wish to register for this service please log on to www.alliancetrust.co.uk/ec.htm which will provide you with a link to our registrars' website.

Taxation

If you are in any doubt about your liability to tax arising from a shareholding in the Company you should seek professional advice.

Income Tax

Dividends paid by the Company carry a tax credit at 10% of the gross dividend. Dividends are paid net of the tax credit.

If you hold your shares in your own name, the tax voucher which you need for your tax records will be sent to the address we have for you on the register maintained by Computershare. The Registrar will send a consolidated tax voucher to members after the final dividend during the tax year is paid.

If your dividends are received by a nominee, such as your stockbroker's nominee, you must contact that person for the tax voucher. If you invest in the Company through Alliance Trust Savings, it will automatically supply you with a consolidated income tax voucher for income received for you in the Investment Dealing Account.

Capital Gains Tax

For investors who purchased shares prior to 31 March 1982, the cost of those shares for capital gains tax purposes is deemed to be the price of the share on that date. The market value of each Alliance Trust PLC ordinary 25p share on that date was £2.85 which, when adjusted for the split on a 10 for 1 basis on 21 June 2006, gives an equivalent value of £0.285 per share. The market value of each Second Alliance Trust PLC ordinary 25p share on 31 March 1982 was £2.35. Holders of Second Alliance Trust PLC shares received 8.7453 ordinary 2.5p shares for each 25p ordinary share they held on 20 June 2006 and are treated as though they acquired these shares at the same time and at the same cost as the Second Alliance Trust shares they previously held. This gives an equivalent value of £0.269 per share.

Risks

If you wish to acquire shares in the Company, you should take professional advice as to whether an investment in our shares is suitable for you. You should be aware that:

- Investment should be made for the long term
- The price of a share will be affected by the supply and demand for it on the London Stock Exchange and may not fully represent the underlying value of the assets of the Company. The price generally stands below the net asset value of the Company ('at a discount') but it may also stand above it ('at a premium'). Your capital return will depend upon the movement of the discount/premium over the period you own the share, as well as the capital performance of the Company's own assets
- The assets owned by the Company may have exposure to currencies other than Sterling. Changes in market movements and in rates of exchange may cause the value of your investment to go up or down
- Past performance is not a guide to the future. What you get back will depend on investment performance. You may not get back the amount you invest.

Important dates

Our events give us the opportunity to meet and hear from our shareholders and clients, and are an ideal occasion to get an update on what is happening at Alliance Trust. You can meet senior representatives from the Company including Katherine Garrett-Cox, our Chief Executive, and other key members of our team, and learn about our products and services. There will be many opportunities during the event to ask questions.

Annual General Meeting

The 123rd Annual General Meeting of the Company will be held at 11.00am on Friday 20 May 2011 at the Apex City Quay Hotel, Dundee. The Notice of Meeting, detailing the business of the meeting, is sent to all shareholders.

Change of year end

The Company will be changing its year end to 31 December from 31 December 2011 in order to aid investment performance comparison. There is no anticipated cost implication as a result of this change. This will mean a change in the dates of the payment of your dividend.

Financial Calendar

Proposed dividend payment dates for the financial period to 31 December 2011 are on or around:

30 June 2011
30 September 2011
3 January 2012
2 April 2012

Investor Forums

We are pleased to announce that we will be holding three investor presentations during 2011 around the UK.

29 September Doubletree Dunblane Hydro Hotel, Dunblane

6 October Royal York Hotel, York

3 November Victoria Plaza Hotel, London

Details of these and future events can be found at www.alliancetrust.co.uk/events. Registration for the Dunblane and York events will open in July 2011.

Alliance Trust PLC, 8 West Marketgait, Dundee DD1 1QN
Tel +44 (0)1382 321000 **Email** investor@alliancetrust.co.uk **Web** www.alliancetrust.co.uk

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Appendix to the Report and Accounts of Alliance Trust PLC (SC001730)

Company Registration No. SL005576

ALLIANCE TRUST REAL ESTATE PARTNERS (LP)

Report and Accounts

Year ended 31 January 2011

Alliance Trust Real Estate Partners (LP)
Report and Accounts Year ended 31 January 2011

Registered Office and Professional Advisers

Alliance Trust Real Estate Partners (LP)
Report and Accounts Year ended 31 January 2011

Registered Office and Professional Advisers

Registered Office
8 West Marketgait
Dundee
DD1 1QN

Bankers
Royal Bank of Scotland
Dundee Chief Office
3 High Street
Dundee
DD1 9LY

Independent Auditors
KPMG Audit Plc
Chartered Accountants and Registered Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Alliance Trust Real Estate Partners (LP)
Report and Accounts Year ended 31 January 2011
General Partner's Report

The General Partner presents its report together with the accounts of the Partnership for the year to 31 January 2011.

Registration

Alliance Trust Real Estate Partners (LP) was registered as a limited partnership in Scotland under the Limited Partnerships Act 1907 on 29 October 2005.

Principal activity

The principal activity of the Partnership is to invest in Real Estate. The General Partner is Alliance Trust Real Estate Partners (GP) Limited, which is also the manager.

Results

The results for the year to 31 January 2011 are shown in the profit and loss account on page 5.

Auditor
KPMG Audit PLC have indicated their intention to resign as auditors. A resolution to appoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting of Alliance Trust PLC.

General Partner's responsibilities in respect of the accounts
The directors of the General Partner are responsible for preparing the General Partner's Report and the financial statements in accordance with applicable law and regulations.

Disclosure of information to auditors

The General Partner at the date of approval of this General Partner's report confirms that, so far as it is aware, there is no relevant audit information of which the Partnership's auditors are unaware; and the General Partner has taken all the steps that it ought to have taken as a General Partner to make itself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Approved by the General Partner on 18 May 2011.

Katherine Garrett-Cox   Alan Trotter

Directors of Alliance Trust Real Estate Partners (GP)Limited as General Partners of Alliance Trust Real Estate Partners(LP)

Alliance Trust Real Estate Partners (LP)
Report and Accounts Year ended 31 January 2011
Statement of Responsibility

The directors of the General Partner are responsible for preparing the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare financial statements for each financial year. Under that law the directors of the General Partner have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors of the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of its profit or loss for that period. In preparing these financial statements, the directors of the General Partner are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The directors of the General Partner are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Partnerships (Accounts) Regulations 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Independent auditor's report to the partners of Alliance Trust Real Estate Partners (LP)

We have audited the financial statements of Alliance Trust Real Estate Partners (LP) for the year ended 31 January 2011 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the limited partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the limited partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and the limited partners, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the general partner and auditor

As explained more fully in the Statement of General Partner's Responsibilities set out on page 3, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

• give a true and fair view of the state of the limited partnership's affairs as at 31st January 2011 and of its loss for the year then ended

• have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

• have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to partnerships requires us to report to you if, in our opinion:

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

• the financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of members' remuneration specified by law are not made;or

• we have not received all the information and explanations we require for our audit

Simon Pashby

Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Saltire Court, Castle Terrace
Edinburgh
EH1 2EG
18 May 2011

Alliance Trust Real Estate Partners (LP)
Profit and Loss Account
Year ended 31 January 2011

	Notes	31 January 2011 £	Restated 31 January 2010 £
Income			
Rentals receivable		**2,465,472**	4,098,447
Service charge income receivable		**162,866**	135,243
Interest receivable		**362**	1,117
Other income		**42,055**	69,143
Commission receivable		**3,360**	-
		2,674,115	4,303,950
Expenses			
Administrative expenses	3	**(279,565)**	(246,007)
		2,394,550	4,057,943
Realised losses on sale of investment property		**(12,581,249)**	(1,055,922)
(Loss)/Profit for the year		**(10,186,699)**	3,002,021
Transfer to Limited Partners			
Partners Funds		**(10,186,699)**	3,002,021

Statement of total recognised gains and losses
Year ended 31 January 2011

	31 January 2011 £	31 January 2010 £
(Loss)/Profit for the year	**(10,186,699)**	3,002,021
Reversal of Loss on revaluation of properties sold	**12,464,293**	2,711,128
Unrealised gain on revaluation of properties	**520,428**	3,035,960
Total recognised gains and losses	**2,798,022**	8,749,109

All amounts are in respect of continuing operations.

The notes on pages 8 to 10 form part of these accounts.

Alliance Trust Real Estate Partners (LP)
Balance Sheet
As at 31 January 2011

	Notes	31 January 2011 £	Restated 31 January 2010 £
Fixed asset investments	4	**28,515,000**	51,625,000
Current assets			
Other debtors	5	**366,674**	203,267
Cash at bank		**340,586**	640,363
		707,260	843,630
Creditors: amounts falling due in less than one year	6	**(571,593)**	(518,528)
Net current assets		**135,667**	325,102
Net assets		**28,650,667**	51,950,102
Limited Partners' accounts			
Capital contribution accounts	7	**108**	108
Loan	7	**44,842,981**	81,127,137
Revaluation reserve	7	**(16,192,422)**	(29,177,143)
Partners' funds		**28,650,667**	51,950,102

The notes on pages 8 to 10 form part of these accounts.

The financial statements were approved by the General Partner on 18 May 2011.

Katherine Garrett-Cox

Alan Trotter

Directors of Alliance Trust Real Estate Partners (GP) Limited as General Partner of Alliance Trust Real Estate Partners (LP).

Alliance Trust Real Estate Partners (LP)
Reconciliation of Movement in Partners' Funds
Year ended 31 January 2011

	Notes	31 January 2011 £	Restated 31 January 2010 £
Partners' funds at 1 February		51,950,102	56,337,387
Profit for the year – before investment losses		2,394,550	4,057,943
Return of Limited Partners' Capital		(23,513,472)	(9,510,412)
Realised loss on sale		(12,581,249)	(1,055,922)
Drawdown of Limited Partners' Loans		-	154,040
Income withdrawn by Limited Partners		(2,583,985)	(3,770,442)
Prior year adjustment			(9,580)
Surplus/(deficit) on revaluation of properties		12,984,721	5,747,088
Partners' funds at 31 January		28,650,667	51,950,102

The notes on pages 7 to 9 form part of these accounts.

1. PARTNERSHIP AGREEMENT

Alliance Trust Real Estate Partners was registered as a limited partnership in Scotland under the Limited Partnerships Act 1907 on 29 October 2005. The General Partner is Alliance Trust Real Estate Partners (GP) Limited. The Founder Partners were Alliance Trust PLC and The Second Alliance Trust PLC, which merged on 21 June 2006. The operation of the Partnership is governed by the Partnership Agreement dated 27 October 2005.

2. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current and the preceding year.

Basis of preparation of accounts

The accounts have been prepared in accordance with applicable UK accounting standards, with the Partnership Agreement and on a going concern basis.

Valuation of investments

Investment properties have been valued at market value by an independent valuer, DTZ, in accordance with the appropriate sections of the RICS Appraisal and Valuation Standards.

Unrealised gains and losses are taken to the revaluation reserve except where losses are considered to be permanent in which case the loss in excess of any gains previously recognised in the revaluation reserve is taken to the profit and loss account.

Income and expenses

All income and expenses are accounted for on an accruals basis. Rental income received in advance is deferred and credited to the Profit and Loss account on a daily basis over the rental period.

The cost of lease incentives are recognised as a reduction in income and are allocated over the lease term on a straight line basis.

Service charges, receivable from tenants in relation to expenses originally incurred by the Company, are grossed up as income and expenses in the profit and loss account.

Taxation

As a partnership, taxable income and chargeable gains and losses are passed through to the individual partners. Accordingly, no provision for taxation is made in these accounts.

Cashflow

The partnership is exempt under the terms of 'FRS 1 Cash Flow Statements (Revised 1996)' from the requirement to publish its own cashflow statement, as its cashflows are included within the consolidated cashflow statement of the ultimate parent undertaking, Alliance Trust PLC.

Alliance Trust Real Estate Partners (LP)
Notes to the Financial Statements
Year ended 31 January 2011

3. ADMINISTRATIVE EXPENSES

	31 January 2011 £	31 January 2010 £
Profit is stated after charging:		
Remuneration of the auditor for audit services	**3,218**	3,120

Total fees paid to the auditor, KPMG Audit Plc, are disclosed in the report and accounts of the ultimate parent company, Alliance Trust PLC.

4. FIXED ASSET INVESTMENTS

	2011 £	2010 £
Valuation at 1 February 2010	**51,625,000**	56,335,000
(Sales)	**(23,513,472)**	(9,401,166)
Realised loss on sales	**(12,581,249)**	(1,055,922)
Revaluation	**12,984,721**	5,747,088
Valuation at 31 January 2011	**28,515,000**	51,625,000

DTZ valued the properties as at 31 January 2011 on a market value basis in accordance with the RICS Appraisal and Valuation Standards.

5. OTHER DEBTORS

	2011 £	Restated 2010 £
Due from partners	**100**	100
Sundry debtors	**366,574**	203,167
	366,674	203,267

6. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2011 £	Restated 2010 £
Deferred income	**382,707**	300,790
Service charge creditor	**11,079**	33,548
Accruals	**14,515**	11,643
VAT payable	**163,292**	172,547
	571,593	518,528

7. PARTNERS FUNDS

	Capital contribution account £	Loan account £	Revaluation reserve £	Total £
As at 1 February 2010- restated	108	81,127,137	(29,177,143)	**51,950,102**
Profits allocated to partners		2,394,550		**2,394,550**
Reversal of loss on revaluation of properties sold			12,464,293	**12,464,293**
Unrealised gain on revaluation of properties			520,428	**520,428**
Return of capital		(23,513,472)		**(23,513,472)**
Realised loss on sale		(12,581,249)		**(12,581,249)**
Profits withdrawn		(2,583,985)		**(2,583,985)**
As at 31 January 2011	**108**	**44,842,981**	**(16,192,422)**	**28,650,667**

Capital Contributions analysed as follows

General Partner – Alliance Trust Real Estate Partners (GP)	100
Limited partner – Alliance Trust PLC	8
	108

8. RELATED PARTY TRANSACTIONS

As the General Partner is a wholly owned subsidiary of Alliance Trust PLC the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of the Alliance Trust PLC Group.