Alliance Trust

Alliance Trust PLC
Annual Report for the year ended
31 December 2016

Investing for Generations

Section I

Strategic Report 1

Section II

Directors' Report 26

Section III

Financial Statements 48

Investing for Generations

Alliance Trust has been investing for generations since 1888. It provided access to scarce and compelling investment opportunities then and continues to build on this heritage today.

Following a Strategic Review, the Directors concluded that the optimum way to deliver an unchanged objective – generating a real return through capital and dividend growth – is to invest with a selection of the world's best-in-class* global equity managers. Each of these managers will build a portfolio of only their best stock selections – the 'best of the best'. The Board believes this approach is in the best interests of shareholders, whether investing for this generation or the next.

*as rated by Willis Towers Watson (WTW)

www.alliancetrust.co.uk

Strategic developments

Shareholders voted in favour of the new investment approach at our recent General Meeting. Key elements of this approach, in the process of being implemented, include:

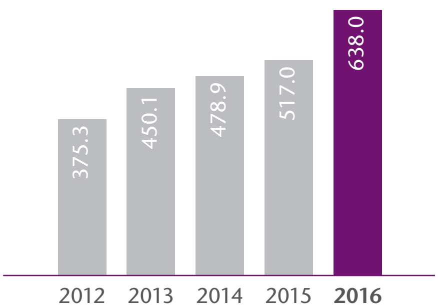
- Alliance Trust to remain a global equity investment trust offering returns through capital and income growth over the medium to long term
- Target for our equity portfolio to outperform MSCI All Country World Index doubled from 1% to 2% p.a., net of costs, over rolling three-year periods
- Seeking outperformance at a competitive cost, below 0.65%
- A new approach adopted for our investment management to increase the likelihood of delivering consistently the enhanced performance target
- Aim to build on Alliance Trust's 50-year track record of year-on-year ordinary dividend growth
- Move from a single manager to multiple equity managers, each rated 'best-in-class' by WTW
- All of the managers to focus on high conviction stock selection with almost all of their portfolios having only 20 stocks
- An active programme of share buybacks introduced with the aim of achieving a significantly narrower discount

Read about the Strategic Review in full on **page 2** ›

Financial highlights

Share price (pence)

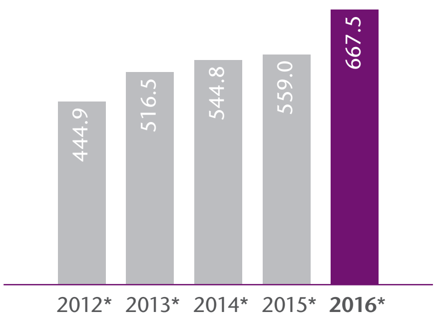
638.0p ▲ +23%



Source: Factset

Net asset value (pence)*

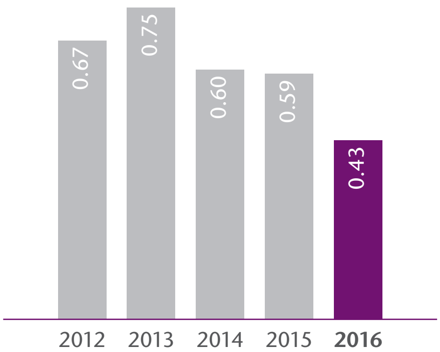
667.5p ▲ +19%



Source: Factset *with debt at fair value

Ongoing charges ratio (%)

0.43%



Source: Alliance Trust

2016 Strategic Review

Investing for this generation and the next

Since May 2016, the Board has engaged with shareholders and evaluated carefully a broad range of options, with an open mind on how best we could improve the Trust's performance. We are confident that the approach resulting from this Review will improve Alliance Trust's performance on a consistent basis.

Existing objectives

- Clear investment mandate to improve performance
- Policy of progressive dividends
- Commitment to narrow the discount
- Providing good value
- Simplifying our structure

Developments resulting from the Review

A new approach to investment management to be adopted to increase the likelihood of delivering consistently the performance target:

- Move from a single manager to multiple equity managers, each rated 'best-in-class' by WTW
- Each equity manager to create a focused portfolio of their top investment selections (more detail of this approach can be found on the next page)
- Equity portfolio outperformance target doubled to 2% p.a. net of costs over rolling three-year periods

- The Board reaffirms its commitment to its progressive dividend policy
- Aiming to build on Alliance Trust's 50-year track record of year-on-year ordinary dividend growth

- An active programme of share buybacks has been introduced with the aim of achieving a significantly narrower discount reflecting the Board's determination to narrow materially the discount
- Since announcing this programme the discount has reduced to below 5% and has been around this level since the end of 2016

- Increased value: the previous equity portfolio's outperformance target above the MSCI All Country World Index ('ACWI') was 1% net of 0.45% ongoing costs increased to 2% outperformance with ongoing costs below 0.65% over rolling three-year periods
- The Board is setting a target of total annual costs of under 0.65% which is below the median for the investment trusts in the AIC global sector

- Alliance Trust Investments to be sold to Liontrust Asset Management PLC representing an expected gain of over £5m from its valuation at 30 June 2016
- Alliance Trust Savings continues to make good progress and remains part of the Group; it has reported a profit in 2016 and is well placed to develop further

2016 Strategic Review continued

The Investment Manager

Willis Towers Watson

Willis Towers Watson is a leading investment group that is focused on creating financial value for investors through its expertise in risk assessment, strategic asset allocation, manager evaluation and investment management. It has over 900 investment associates worldwide, assets under advisory of around US$2.3 trillion and over US$87 billion of assets under management. It is part of Willis Towers Watson (NASDAQ: WLTW) which has over 39,000 employees in more than 120 territories and has roots dating to 1828.

They have worked, for many years, with equity managers to create tailored high-conviction portfolios for large institutional clients, with notable success over more than ten years for a large charitable foundation. More recently it launched an open-ended, high-conviction multi-manager vehicle for institutional investors, the Global Equity Focus Fund, which has outperformed its benchmark by 2.2% per annum net of underlying managers' fees since the fund's inception on 17 August 2015 to 28 February 2017.

The Equity Managers

Blackcreek Investment Management

Bill Kanko is founder and President. Between 1999 and 2004 Bill was the lead manager for the AIM Trimark Fund and Trimark Select Growth Fund which had outstanding performance during that time.

Bill is a long-term investor, looking for companies that are growing, are leaders in their markets and gaining market share. These companies tend to benefit from huge barriers to entry and sustainable competitive advantages.

First Pacific Advisers

Pierre Py and Greg Herr are co-portfolio managers with an average of 20 years investing experience.

Pierre and Greg typically employ a long-term value investment approach, investing in companies that they believe have sustainable business models, exhibit financial strength, are run by operationally strong managers and whose stocks trade at a significant discount to the FPA team's estimate of intrinsic value.

GQG Partners

Rajiv Jain founded GQG Partners in June 2016, having previously worked at Vontobel Asset Management for 22 years as lead portfolio manager, Head of Equities, CIO and Co-CEO, responsible for over £30bn of assets.

Rajiv looks for high-quality and sustainable businesses through a fundamental investment process utilising both traditional and non-traditional sources of information. Ideally, these quality businesses have enduring underlying strengths, which manifest in a variety of economic environments. The result has been portfolios designed to provide capital protection in down markets and attractive returns to long-term investors over a full market cycle. In addition, GQG will manage a global portfolio for the Company with particular focus on emerging market companies.

Jupiter Asset Management

Ben Whitmore has over 20 years of experience and joined Jupiter in 2006. Ben worked at Schroders, managing both retail and institutional portfolios and around £2 billion of assets. Ben will be supported by Dermot Murphy, Assistant Fund Manager.

Ben is well known as a long-standing practitioner of contrarian value investing, investing in companies he considers to be out-of-favour and under-valued. This approach has proved successful, with the Jupiter UK Special Situations Fund being top quartile in its sector over one, three, five and ten years.

Lyrical Asset Management

Lyrical Asset Management's investment management team is led by Co-Founder and Chief Investment Officer, **Andrew Wellington**.

Value matters most to Lyrical and the team also maintains a strict discipline of investing in quality companies that they believe are relatively easy to analyse. They believe the combination of value, quality and straightforward business model creates resiliency in the portfolio and the greatest likelihood of long-term absolute performance and outperformance.

River and Mercantile Asset Management

Hugh Sergeant is the CIO of Equities having previously been in a similar role at Societe Generale Asset Management ('SGAM') and prior to that at UBS/Phillips & Drew and Gartmore.

The team invests in Recovery Equities, through an investment philosophy called PVT (Potential, Valuation & Timing) and a process that helps them identify value at different stages of a company's lifecycle and to give signals from a timing perspective as to when that value might be unlocked.

Sustainable Growth Advisers

SGA was founded in 2003 by **George Fraise, Gordon Marchand** and **Rob Rohn**. They average over 30 years of investment experience.

SGA focuses on building concentrated portfolios of unique, high quality global growth businesses that possess strong pricing power, offer recurring revenue generation and benefit from attractive, long runways of growth.

Veritas Asset Management

Andy Headley is Head of Global strategies at Veritas Asset Management. Andy has over 20 years investment experience and is supported by Charles Richardson, co-portfolio manager who has 30 years' experience.

Veritas focuses on active equity management, utilising its proprietary Real Return Approach since inception of the firm. Veritas employs an absolute mind-set when valuing companies and dispenses with any reference to indices when constructing the portfolio. Veritas describes the firm's overall approach as investing in a concentrated portfolio of good quality companies at the right price.

Our New Business Model

What we will do

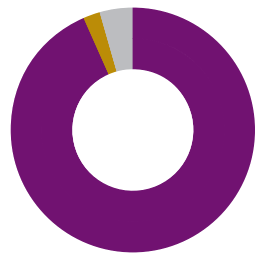
Invest in:

- Global equities

We have investments in:

- Our subsidiary business – Alliance Trust Savings
- Non-core investments*
  - Mineral Rights
  - Private Equity
  - Funds

*These will be disposed of at the appropriate time



How we will do it

- A multiple manager approach, each rated best-in-class by WTW with oversight by them
- Each equity manager creates its own focused portfolio of its top investment selections
- Equity portfolio outperformance target of the MSCI All Country World Index by 2% p.a. net of costs over rolling three-year periods
- One of only four FTSE All-Share Index companies with a record of increasing their ordinary dividend for the last 50 years.

How we create an attractive return for our shareholders

- Capital growth in our investment portfolio
- Progressive income growth funded by dividends and income received from our investments
- Competitive costs

Investment Objective and Policy

The existing Investment Objective and Policy allows the Board to pursue the new investment approach.

Alliance Trust is an investment company with investment trust status. The Company's objective is to be a core investment for investors seeking increasing value over the long term. The Company has no fixed asset allocation benchmark and it invests in a wide range of asset classes throughout the world to achieve its objective. The Company's 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.

The Company pursues its 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.

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

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

Chairman's Statement

We care about the long-term interests of all of our shareholders

During 2016 the Board spent a great deal of time consulting with shareholders on the future of Alliance Trust and what investors really wanted from their investment in the Trust. We evaluated a broad range of options to decide on the best way to improve the Trust's performance and to position the Trust as a core holding for investors.

As I have commented before, it was clear that the appetite for a global equity investment trust remained strong, but that change was required to better differentiate Alliance Trust's investment proposition and to improve performance.

Looking ahead, the Board and the new investment manager will now focus on delivering real returns for shareholders through a combination of capital growth and a rising dividend.

Strategic Review

With the aim of building on the progress achieved following last year's AGM, the Board announced in May 2016 that it would conduct a Strategic Review of the Trust. As part of this, we assessed the potential courses of further action open to the Trust and the best way forward. On 15 December 2016, the Board announced the outcome of its review and set out a proposed new approach to managing the Trust's equity portfolio.

This will see the adoption of a high conviction, multi-manager approach overseen by Willis Towers Watson (WTW), a leading investment group, targeting outperformance of the MSCI All Country World Index by 2% per annum, net of costs, over rolling three-year periods. WTW will be the overall investment manager of the Trust's equity portfolio, providing access to and selecting and managing the sub-managers who in turn will create concentrated portfolios for the Trust. By leveraging the scale of Alliance Trust and WTW, total annual costs will also be targeted to be below 0.65%. This is highly competitive for an investment trust targeting such outperformance.

The aim of the new approach is to:

- deliver consistently the outperformance target, which has been doubled;
- maintain our long track record of growing dividends; and
- maintain the Trust's competitive cost ratio.

Whilst it was not required, the Board wanted to provide shareholders with the opportunity to vote on the new approach to investment. We were delighted with the strong support at the General Meeting in February 2017 when over 96% of the votes cast by shareholders favoured the change. The transition to the new portfolio is well underway and I look forward to telling you more about this at our AGM in April, when WTW will also make a presentation.

During 2016 Alliance Trust Investments (ATI) made good progress. An independent Board was established, third-party funds under management increased, costs were reduced and the business recorded a profit for the year. As part of the Strategic Review, the Board reached agreement to sell ATI to Liontrust Asset Management PLC, a specialist independent fund management group. This transaction is expected to complete in April. As a result, Alliance Trust's structure will be simplified and ATI will be provided with an exciting opportunity to continue to develop its third party fund management business.

Alliance Trust Savings also made significant progress during the last year and remains part of the Group, headquartered in Dundee. Assets under administration have grown by 60%, reflecting the benefit of the Stocktrade acquisition. In the year ended December 2016 ATS achieved a profit before tax of £1.2m, compared to a loss of £5.2m in the prior year.

When we announced the outcome of the Strategic Review, we introduced a more active approach to share buybacks, reflecting our determination to narrow the Trust's discount to Net Asset Value (NAV). This has helped to narrow the discount to 4.4% as at the end of December 2016. We also announced in January 2017 that the Board had reached agreement with Elliott, the Company's largest shareholder, to repurchase the shares in which it had a disclosable interest (approximately 20% of the issued share capital as at December 2016). Given the size of its shareholding Elliott was unable to participate in the share buyback programme without obtaining the approval of other, independent shareholders. This approval was granted at the General Meeting in February and the repurchase of Elliott's shares has now been completed. The impact of this repurchase has been an uplift in the NAV for other shareholders of around 1%, as well as the removal of a share overhang, allowing the Trust to move forward with a more stable shareholder register.

Performance in 2016

Over 2016 the Trust delivered a Total Shareholder Return of 26.4% and a NAV Total Return of 21.5%. The Trust's share price rose 23% to 638p, while the NAV increased 19% to 667.5p, resulting in a discount at the year-end of 4.4%. The Equity portfolio underperformed the benchmark, which returned 29.4%, primarily through stock selection. The Board is delighted that the Trust has achieved 50 years of consecutive dividend growth, with a total declared dividend for the year of 12.774p per ordinary share.

As regards our objective to reduce costs, we fulfilled our commitment to reduce the OCR, which stood at 0.43% at the end of the year, below our target of 0.45%. This reflects the level of cost we expected under the old investment management approach. Going forward we will see this increasing to just under 0.65% which we believe provides excellent value for the targeted level of outperformance.

Significant Event

During the year the Board received an unsolicited approach from RIT Capital Partners plc (RIT) with an informal proposal for a merger of the two companies. No detailed terms were provided by RIT with regard to the proposal. The Board of Alliance Trust announced that it would incorporate any formal merger proposal received from RIT into its Strategic Review, alongside the other options being considered. RIT subsequently withdrew their interest.

Board Changes

Since my appointment as Chairman last year there have been three changes to the Board. Following the conclusion of the AGM held in 2016, John Hylands retired as a Director of the Company. I would like to thank John for his contribution and consistent support to the Company over nine years.

In May, we welcomed Clare Dobie to the Board. Clare, who has had a successful career in marketing and client service in asset management companies, has made an excellent contribution to our Strategic Review.

Finally, and very sadly, Rory Macnamara passed away on 17 December 2016 after a period of illness. Rory, who joined the Board in June 2015, played a significant role during the Strategic Review.

The last two years have seen considerable change for Alliance Trust and we are very appreciative of the high level of support shareholders have shown. I am also extremely grateful for the commitment and diligence with which all of my fellow Directors have set about the task to establish a compelling and refreshed strategy for the Trust. With a clear course of direction and a settled shareholder register, we believe that Alliance Trust is well placed for the future.

Lord Smith of Kelvin
Chairman

Board Strategy Q&A

We met with hundreds of our shareholders to explain, and answer questions on, the changes we are making. Here are some of the questions that were asked and answered during these meetings.

Q Who are Willis Towers Watson?

A WTW is a leading investment group. The investment business at Willis Towers Watson has global assets under advice of more than US$2.3 trillion and assets under management of more than US$87bn. Willis Towers Watson's clients include some of the largest and most sophisticated investors in the world including pension funds, sovereign wealth funds, endowments and foundations.

Q How did you choose WTW as your investment manager?

A The Board ran a competitive process and WTW was selected to become the investment manager, as announced on 15th December 2016.

Q What experience do Willis Towers Watson have of managing multi-manager equity portfolios?

A For more than 20 years WTW has provided advice on the management of equity portfolios to large sophisticated investors and has had a key role to play in managing multi-manager portfolios for more than a decade.

Q How will the Trust's portfolio be designed?

A It is anticipated that the Trust's portfolio will have approximately 200 stocks held across the eight underlying equity managers. The Company's equity portfolio will be shared broadly equally between the eight equity managers. WTW believes that the combination of these managers' best stock ideas will create a highly compelling equity portfolio for the Trust, where the long-term return relative to benchmark will be primarily driven by stock selection rather than macroeconomic factors.

Q What is the benefit of this approach?

A The underlying investment managers are chosen for their skill as stock pickers. Through asking each manager to focus on their highest conviction ideas, we gain exposure to only the best ideas from each manager. This is achieved without increasing overall risk through the diversification of using multiple managers with different approaches to investing that are expected to perform differently in various market environments.

Q By moving to a multi- manager approach are you not moving the portfolio closer to the index and hence reducing the expected outperformance?

A Although the number of stocks in the overall portfolio increases from around 60 to around 200 (and hence the stock specific risk reduces), every single stock is now one of the managers' very best ideas, which is not possible in a single manager approach, where a number of stocks are inevitably held for risk control purposes.

Q What would cause you to review a manager?

A The most likely reason to replace a manager is if the research or portfolio management team feels that the skill of the manager has eroded over time. This could be in an absolute sense or relative to other managers that would be suitable for inclusion in the portfolio. It is unlikely that poor performance, on its own, would be a reason for removing a manager except if that poor performance was caused by reduced skill from the manager. Poor performance (relative to a benchmark) that is attributable to style, size or sector weightings that were known features of the investment approach would not necessarily change our view of the manager's skill.

The other reason a manager could be replaced is an inability to meet the terms of the mandate such as maintaining a very high level of active share and the restricted number of stocks. It is possible that we will be able to identify managers who combine better with the other managers in the portfolio than one initially chosen and therefore the portfolio management team may make changes for this reason.

Q Can you describe how the multi-manager portfolio will be built:

A The portfolio can be thought of as being the result of two complementary components. The assets are all managed by a group of focused active equity managers with varying styles. In addition there is risk control, oversight, manager selection, operational due diligence and monitoring performed by WTW.

The first component is a group of highly active (active share typically 90%+) concentrated, 'best-in-class', active equity managers. Each underlying portfolio usually has a named lead portfolio manager overseeing a portfolio of around 20 of their best equity ideas.

The second component is used to balance the risks within the active managers' portfolios. It is the role of WTW to source appropriate managers from around the world, look at their risk and return characteristics and how they can be combined to minimise risks that can be diversified away whilst maximising the impact of the stock selection skills of the managers.

Q Why use concentrated mandates?

A There is significant evidence supporting better returns from concentrated mandates over more diversified portfolios. Research supports the view that over 90% of risk associated with individual stocks is diversified away within the first 20-30 holdings and there is little incremental benefit beyond this.

Q Will the managers have track records and does the strategy?

A All the portfolio managers selected for the Trust have long, successful track records at either their existing or previous asset management firms. The managers' track records and the quality of their investment approach is examined as part of the rating process conducted by WTW. The vast majority of the managers have also managed concentrated mandates similar to those intended for Alliance Trust, in many cases only for WTW clients.

Q How many stocks will be in the portfolio?

A Up to 200 stocks will be contained in the portfolio. The developed market managers typically have around 20 holdings each and one manager also manages a dedicated emerging markets mandate which can hold up to 50 stocks.

Q What will be the target level of performance and risk of the Trust?

A The Trust is targeting 2% p.a. outperformance for the equity portfolio over the MSCI World ACWI, net of fees, over three year rolling periods. The forecast tracking error of the Trust is expected to be 2-4% (a guide, not a limit).

Q What will be the target yield on the portfolio and the dividend policy?

A The underlying yield on the stocks in the current proposed multi-manager portfolio is roughly the same as the existing portfolio. This leaves the strategy well placed to support the existing level of dividend payments and to continue the record of 50 years of consecutive dividend growth into the future.

Q What will be the target total annual costs of the Trust and how does this break down?

A The Trust's OCR will be targeted to be below 0.65%. The fees payable to WTW are detailed on page 46.

Q Is the Trust intended to invest in developed or emerging markets?

A The Trust is benchmarked against the MSCI ACWI (an index that covers both developed and emerging markets). Each manager is allowed to invest across both developed and emerging markets within their 20 stock portfolio, but one manager also has a specialist emerging market mandate which may have around 50 stocks.

Q What level of manager turnover is expected?

A A 10-15% per annum manager turnover could be expected as a long-term guide.

Q What level of portfolio turnover is expected in the sub-manager's underlying portfolios?

A Overall we would expect average turnover to be in the range 20% to 40% per annum.

Q What will be the approach to gearing?

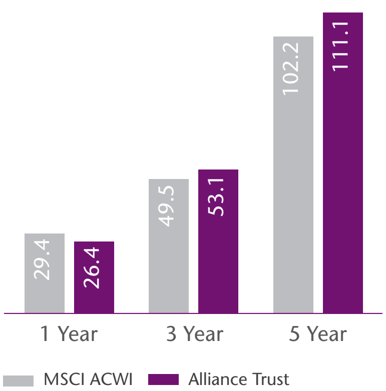
A The approach is unchanged. The Board is ultimately responsible for setting the strategic level of gearing and WTW will then have an element of discretion around this target.

We would not anticipate the level of gearing changing at all at the time of transition to the new arrangements.

Key Performance Indicators – 2016

Our Key Performance Indicators measure how well we are achieving our objectives of capital and income growth, investment performance and a narrowing discount.

Total Shareholder Return (%)

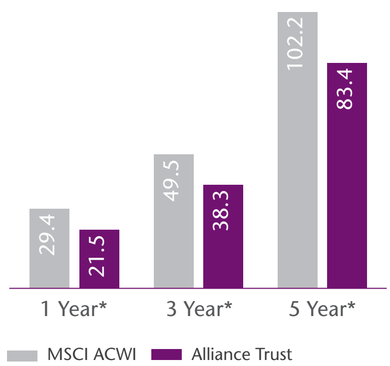


Why this is important

This demonstrates the real return our shareholders receive through dividends paid and capital growth.

Read more in the Investment Manager's Report on **page 11** ›

NAV* Total Return (%)



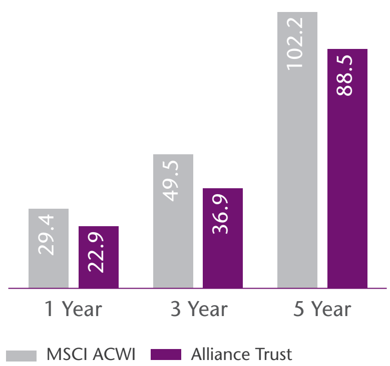
Why this is important

This demonstrates the growth of our total portfolio including non-core investments.

*NAV calculated with debt at fair value.

Read more in the Investment Manager's Report on **page 11** ›

Equity Portfolio Total Return (%)

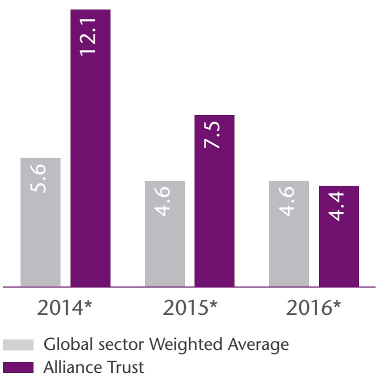


Why this is important

This measures how our equity portfolio investment managers perform. The equity portfolio accounted for 93% of our net asset value at the year end.

Read more in the Investment Manager's Report on **page 11** ›

Discount* (%) as at 31 Dec



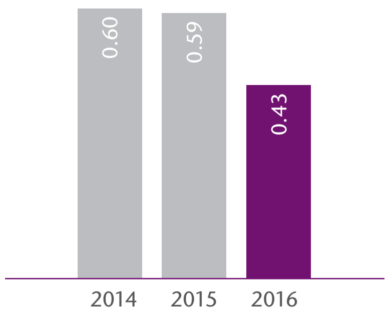
Why this is important

This is the difference between the share price of the Company and its net asset value and is an indicator of demand for our shares.

*Discount calculated using debt at fair value.

Read more in Costs and Financial Measures on **page 20** ›

Ongoing Charges Ratio (%) as at 31 Dec

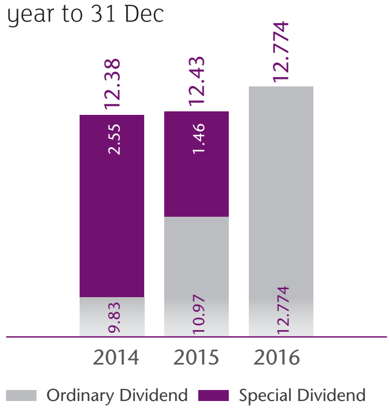


Why this is important

This is the cost of running the Company as a percentage of the average net assets of the Trust. It is an indicator of how efficiently the Company is managed.

Read more in Costs and Financial Measures on **page 20** ›

Total Dividend (pence) year to 31 Dec



Why this is important

The figures shown are the total dividends paid, ordinary and special dividends.

Read more in Costs and Financial Measures on **page 20** ›

Investment Manager's Report – 2016

Summary

During 2016, the Trust's equity portfolio delivered a Total Return of 22.9%. Taking into account the performance of non-core investments, the impact of buybacks and a one-off contribution to the pension scheme the Trust's overall NAV Total Return was 21.5%. The Total Shareholder Return, which takes account of discount narrowing, was 26.4%.

The equity portfolio finished the year 6.5% behind the MSCI ACWI. This was driven largely by stock selection although sectoral allocation also contributed to the lag in performance. In the latter half of the year mid- and small-cap value stocks outperformed the larger, quality growth companies that constitute the Trust's portfolio.

The investment team maintained the number of holdings within the portfolio to around 60, reflecting our continued conviction in the benefits of holding a portfolio of best-in-class global companies.

Review of Performance

After a turbulent start to the year share prices rebounded in February as fears of a Chinese hard landing and a US industrial slow down faded. Despite some significant shocks to financial markets, such as Brexit, markets continued to make progress, driven by increasing signs of self-sustaining global growth and continued monetary laxity.

Over the year our decisions to increase our weightings in Industrials and remain overweight in Technology benefited performance. However, our decisions to improve the quality of holdings in Financials and Energy in 2015 did not continue to provide the uplift in performance achieved that year as lower quality companies rebounded strongly in 2016, outperforming our stock selections. The most important sectoral decision we got wrong in 2016 was to remain overweight in Health Care ahead of the US elections, during which investor concerns over the sustainability of drug pricing increased.

Industrials were the strongest contributor to performance in 2016. We increased our exposure to these stocks, ending the year overweight against the index. The star performers were Daikin and Melrose.

Information Technology was also a positive contributor to performance. The portfolio benefited from the significant Merger and Acquisition activity in the semi-conductor market, notably the sale of ARM which returned 61% and contributed just over 1% to the portfolio's return. Holdings in Linear Tech and NXP are also subject to takeovers by ADI and Qualcomm respectively. The growth in electric and hybrid electric vehicles has translated to strong growth for the semi-conductor industry in the auto segment, as the car of the future requires significantly more electronic content to deliver improvements in safety and fuel efficiency. We also focus on thematic drivers within the technology sector such as the increase in Cloud computing and the need to invest in digital infrastructure. We believe that these are important drivers of performance and why we hold Accenture, Microsoft and SAP.

The Health Care sector reversed the strong gains of 2015 and was the second-worst performing sector in 2016. The investment process targets companies which deliver differentiated, life-saving therapies and products that makes healthcare more accessible or affordable. We believed that this sector and these sorts of companies would be able to deliver defensive growth in a tough economic environment and therefore maintained an overweight position during the year. In the US, the source of the majority of global healthcare profits, the Election raised questions on the sustainability of drug pricing, and this hurt performance over 2016. Our holding in GlaxoSmithKline did relatively well in the year thanks to its more diversified business, with its Consumer and Vaccine divisions providing opportunities for growth. Roche was out of favour over 2016, due to pricing pressure in the US, combined with investor concern over the results in early 2016 of the important "Aphinity" trial. The trial results are considered key to Roche's global leadership in breast cancer and the nature of the news led to weakness in the stock. We believe that their approach of meeting unmet medical need across its whole portfolio and its innovative record of discovering new molecules with breakthrough potential, will be rewarded and command improved pricing.

The Financial sector contributed negatively to portfolio performance over the year. A substantial portion of the underperformance came from our position in the Italian bank Intesa Sanpaolo as investor concerns around its non-performing loans in Italy, and political uncertainty, led to large declines in the share prices of Italian financials. We decided to sell the position and switch the proceeds into DNB. Our underperformance came from the absence of investment banks which underwent a strong re-rating from a very low base. Visa, however, performed well and, as one of the portfolio's largest positions, was a strong contributor to performance. We increased the portfolio's exposure to Financials during the year.

Energy was again a focus for the market in 2016. After the turbulent markets in 2015 oil rallied from below US$30 a barrel in the first quarter of 2016 to above US$50 when producers reached an agreement to reduce their output. The Energy sector rallied impressively and delivered 54%. The portfolio's underweight position through 2016 contributed negatively to asset allocation as did stock selection: lower quality companies rallied the most in response to higher oil prices. Our investment process' focus on quality companies attracts us to companies with higher quality hydrocarbon assets that can deliver better investment returns from lower oil prices. We believe that over the medium term this will be a winning investment strategy for businesses that sell this volatile commodity.

Going into 2017 the portfolio remains overweight in Health Care, Information Technology and underweight in Consumer Discretionary, Consumer Staples and Energy.

Investment Manager's Report – 2016
continued

Portfolio Activity

In 2016 we added the Norwegian bank DNB and Microsoft to our portfolio. We believed that DNB's valuation was attractive following market concerns related to oil-related economies as it remained one of the best capitalised banks in Europe. Microsoft is embracing the Cloud through Azure, which provides developers and IT professionals with a collection of integrated cloud services through a global network of data centres, and the shift in the sale of its Office software suite to a subscription model.

Significant sales in 2016 included Novo Nordisk and ARM. The former continues to benefit from innovations in insulin design but the weaker outlook for insulin sales, due to concerns about the sustainability of its US pricing model, resulted in lower profit expectations. ARM was sold following a bid by Softbank, a Japanese telecom and technology company. The proceeds from these sales were invested in the US company Cadence which develops electronic design automation software. We continued to use market weakness to add to positions where the team have strong long-term convictions such as Acuity Brands and Roche.

Our Top 10 holdings at the end of the year included for the first time Acuity Brands, Ecolab, Blackstone Group, Macquarie Infrastructure and the Toronto & Dominion group. Acuity is the US lighting market leader with a diversified product mix. It has steadily gained market share in an already relatively consolidated industry. It offers a full array of technologies, including LED, which suit the needs of its customers. Ecolab is a global leader in water, hygiene and energy technologies which are used across different industries to maintain clean and safe environments. Blackstone is possibly the best positioned 'alternative' asset manager globally and should benefit from the shift to that style of management.

Investment case: Health Care

The treatment of cancer remains one of the key areas in healthcare where innovation is increasingly important.

Immuno-oncology is an innovation that is set to revolutionise cancer treatment. The ability to utilise the body's immune system to fight a cancer tumour, rather than directly targeting the tumour itself, has produced some promising results. Long term survival in metastatic cancer is now a reality.

The Trust's portfolio has exposure to this innovation through Roche and Pfizer, both of whom are key players in the immune oncology revolution. We see Roche as remaining a global leader in the broader oncology setting however it was out of favour in 2016 and made a small relative contribution in the year. Pfizer is developing an exciting suite of treatments, including both immuno-oncology treatments and the recently launched Ibrance, in breast cancer. Pfizer also acquired Medivation, which has promising complementary products in the oncology setting which should allow it to build a profitable and growing oncology suite of products.

Health Care stocks provided around one-tenth of the equity portfolio's total return and this part of the portfolio outperformed the MSCI ACWI in the year.

(%)	Relative Contribution		
	2014	2015	2016
Pfizer	0.24	0.31	0.60
Roche	0.02	0.07	0.03

Source: Alliance Trust

Investment case: Technology

The acquisition of both ARM and Linear Technology in 2016 was confirmation that within the technology sector, digitalisation is spreading to new areas.

The 'Internet of Things', Advanced Driver Assistance Systems (ADAS) and Electric Vehicles are all examples of areas where technology is penetrating new areas. The Internet of Things enables a refrigerator to manage its power usage to optimise the use of lower cost energy. ADAS will help reduce the number of casualties on the road through the use of predictive algorithms using data generated from radars, lidars and cameras. Electric vehicles will reduce CO2 emissions, make our cities cleaner and improve energy efficiency.

All these are admirable goals but they do require significant processing power as well as software capability. Our exposure to digitalisation, beyond ARM and Linear Technology, has been through Cadence and, to a lesser extent, Accenture.

Technology stocks provided around one-third of the equity portfolio's total return in 2016.

(%)	Relative Contribution		
	2014	2015	2016
Accenture	0.36	0.59	0.98
ARM	0.01	0.08	0.99
Cadence	0.34	0.16	0.63
Linear Technologies	0.12	0.00	0.84

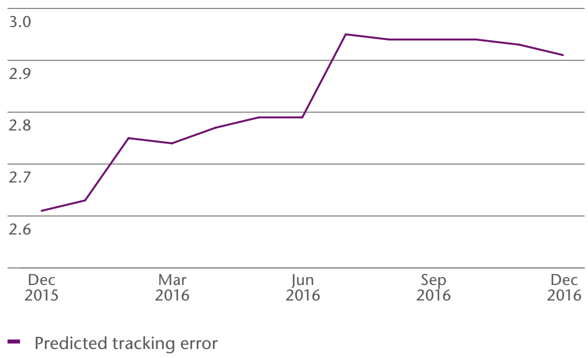
Source: Alliance Trust

Portfolio Risk

We maintained the number of stocks in the portfolio at around 60, reflecting the conviction we had in those stocks which we considered to be best-in-class. The portfolio's active share, which is the weighting of the stocks in the portfolio that is different from the stock weightings in the MSCI ACWI, was above 90%, a level that demonstrates that the portfolio was very structurally different to the index with just a 10% weighting overlap. The portfolio was sufficiently concentrated to deliver meaningful levels of outperformance yet diversified enough through only the highest quality global companies that there was the expectation of lower volatility than that of the index.

The portfolio started 2016 with a tracking error of 2.61% against the MSCI ACWI, finishing the year largely unchanged at 2.91%.

Benchmark relative risk (%)



Source: MSCI Barra

Investment Manager's Report – 2016 continued

Stewardship

In 2016 we voted at 161 meetings. For 123 of these meetings we voted against, withheld or abstained on one or more resolutions. These votes related to concerns about matters including: excessive or opaque remuneration arrangements; auditors tenure and non audit fee; tenure and board and committee independence; and effectiveness or lack of transparency around lobbying activities and fair business policies. We added the issue of gender diversity on boards to our voting policy during the year and we voted against the company's report & accounts where there were less than 15% women on the board and abstained from voting on report & accounts where there were less than 30% women on the board. This applied to just under one third of eligible meetings. The Financial Reporting Council awarded Alliance Trust Investments with a Tier 1 status on the quality of reporting against the Stewardship Code. Alliance Trust Investments is a signatory to the UN Principles for Responsible Investment (PRI), where representatives from the investment team sit on the PRI Sustainable Palm Oil Investor working group, PRI Engagement on Water Risks group, PRI Global Investor Taskforce on Corporate Tax Responsibility group. Alliance Trust Investments is also a signatory to the Paris Pledge for Action: Climate Change, PRI Montreal pledge.

Asset Allocation and Gearing in 2016

Asset allocation is undertaken to enhance or protect the returns of the core investment portfolio. When strong returns are anticipated from equity markets the exposure to equities is increased by increasing borrowing. In contrast when equity valuations appear full and the outlook uncertain then exposure to equities is reduced.

Overall gearing levels were limited by the Board in the year to a maximum of 18%.

In 2016 four significant moves were implemented at an asset allocation level.

The year started with gearing on the core portfolio of 13%. In March, having ascertained that the UK Referendum on Leaving the EU could lead to a fall in the Pound, we hedged Sterling against the US Dollar equivalent to 5% of the portfolio. This mitigated the overweight of the equity portfolio towards Sterling.

Then in May gearing was reduced following a six month rally in global equities and mounting political and economic uncertainties. This brought gearing down to 10.2% of the equity portfolio.

Following the referendum result on 24 June the concern was to protect the portfolio from a disorderly fall in equity markets. To this end we sold FTSE 100 index futures to hedge the UK exposure of the portfolio – representing 4% of the overall portfolio. The position was closed on 1 July as it became apparent that currency markets were taking the impact while the FTSE 100 appreciated.

In October gearing was reduced further to 6%, given the risks surrounding the US election, anticipated US interest rate hikes and very strong equity market performance. In November the FX hedge was closed following Sterling's 15% depreciation versus the US Dollar.

Overall the net impact of being geared into a rising market enhanced the return from the core investments, and while the index future short post the referendum had a negative impact this was more than covered by the positive contribution from the FX hedge.

Attribution analysis (%)

	Alliance Trust			MSCI AC World Index			Attribution		
Equity Portfolio Only (look through basis)	Average Weight	Total Return	Contribution to Total Return	Average Weight	Total Return	Contribution to Total Return	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	8.4	10.8	0.7	12.3	23.0	2.8	0.2	-0.8	-0.6
Consumer Staples	8.3	11.7	1.5	10.4	21.9	2.7	0.1	-0.7	-0.6
Energy	4.9	44.8	2.2	6.7	53.4	3.4	-0.4	-0.3	-0.7
Financials	17.8	19.6	3.1	17.3	32.9	4.9	0.0	-2.1	-2.1
Health Care	16.7	9.3	1.8	12.0	11.6	1.6	-0.7	-0.3	-1.0
Industrials	8.5	39.7	3.1	10.6	34.1	3.6	-0.1	0.4	0.3
Information Technology	20.0	33.3	7.1	15.5	34.7	5.3	0.2	-0.2	0.0
Materials	4.7	32.3	1.5	4.9	48.5	2.2	-0.1	-0.6	-0.7
Real Estate	4.6	25.5	1.5	3.2	22.9	0.8	-0.1	0.1	0.0
Telecommunication Services	3.2	6.1	0.2	3.8	26.2	1.1	0.0	-0.5	-0.5
Utilities	2.9	0.6	0.2	3.3	27.3	1.0	0.1	-0.7	-0.6
	100.0		22.9	100.0		29.4	-0.8	-5.7	-6.5

Source: Alliance Trust and Factset

Non-core Investments

Whilst the Board is committed to reducing its exposure to these assets, they provided good returns and a strong income stream during the year.

The divestment of non-core investments continued to gather momentum in 2016. Fixed interest investments were sold in their entirety by mid–year. The Trust has £9.5m in indirect property held through investments in Limited Partnerships. There are no direct property investments left in the portfolio although the Trust still owns its registered office, 8 West Marketgait, Dundee, DD1 1QN which was valued at £4.5m as at the end of 2016 (unchanged from 2015). This office accommodates Alliance Trust Savings' operations and the Trust's small executive function in Dundee. The Trust acts as landlord for Alliance Trust Savings on a commercial basis.

A sale process of the mineral rights holdings was held in the early part of the year but bids received were considered unacceptable in a distressed market environment of very weak oil prices. The sale of the holdings remains part of the divestment strategy for non-core assets but this is unlikely until there is a sustained period of energy price stability. At the year end, the mineral rights holdings were valued at £13.2m compared with a valuation of £17.5m in 2015.

The majority of investments in the private equity portfolio are held in seven externally managed private equity funds. These seven funds are largely mid-market European buyout funds and are held in our own fund of fund limited partnerships. These investments are now delivering strong returns. In 2016 the Trust saw a marked improvement in portfolio valuations and we experienced an increase in realisations resulting in healthy distributions back to the Trust. The value of our private equity investments is £103.5m. The unfunded commitment to private equity investments, which includes recallable distributions, is £28.5m. We have made no new private equity investments since 2014 and anticipate a continuation of the trend of further realisations within the private equity portfolio in 2017 generating more distributions back to the Trust.

For the non-core investments of private equity, property, fixed income and the mineral rights holdings, which together represents 3.7% of the total assets of the Trust, a positive contribution of 0.5% to investment returns was recorded in 2016.

Contribution Analysis – 2016

Contribution Analysis (%)	Contribution to Total Return
Equity Portfolio*	22.9
FX Contracts and Index Futures	0.2
Non-core Investments	0.5
Net Gearing Effect	0.2
Investment Portfolio Total	**23.8**
Subsidiaries	-0.2
Pension Fund Adjustments	-0.8
Effect of Change to Fair Value of Debt	-0.5
Share buybacks, Cash and Accruals	-0.3
Total Operating Costs	-0.5
NAV Cum Income Total Return	21.5
Effect of Discount	4.9
Share Price Total Return	26.4
MSCI ACWI Total Return	*29.4*

*includes investments in Funds

Source: Alliance Trust and Factset

The NAV total return for 2016 was 21.5% versus the benchmark MSCI ACWI return of 29.4%. This is a result of the investment returns from the global equity portfolio, investments in fixed income, private equity and mineral rights and the change in value of the subsidiary companies.

Over 2016 the shareholder total return was 26.4%, outstripping the NAV total return so capturing the benefit of a narrowing in the discount. Equities, at 93% of our total investment at the year end, are by far the most significant asset class and contributor to total return.

The decision taken to fund the Company's Final Salary Pension Scheme to allow it to buy in its liabilities through a bulk annuity policy had a negative effect on performance in the year.

Average gearing was 10.7% over 2016, this had the effect of enhancing the return from the equity portion of the portfolio over 2016.

Alliance Trust Investments

Alliance Trust Investments is a specialist fund management business offering open-ended funds and investment solutions. Agreement was reached in December 2016 to sell this business representing an expected gain of over £5m from its valuation at 30 June 2016. This is expected to be completed in April 2017.

The focus of Alliance Trust Investments has been on managing the Trust's investment portfolio and promoting its range of Sustainable Future (SF) equity and corporate bond funds alongside the Monthly Income Bond fund. These are open to both institutional and retail investors.

The business operates in a competitive marketplace and in the year was successful in continuing to attract net inflows of £51m into its funds.

During the year it carried out a significant reorganisation which reduced ongoing costs while maintaining its team of experienced investment professionals.

2016 saw strong performance from the SF Corporate Bond and Monthly Income Bond funds, with the former ending the year in the top quartile over 1, 2 and 5 years. Against the full Corporate Bond sector the Monthly Income Bond fund ended the year just below median.

Alliance Trust Investments saw net revenue grow to £22.0m, making an operating profit in the year of £3.1m, and a profit, after one-off and exceptional costs, of £0.4m, compared to its loss of £2.1m last year.

The total investment in the business by the Trust was £45.4m. At the end of 2016 the Directors had attributed a fair value to the business of £28.3m.

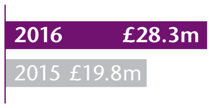
In December 2016 the Board announced that the Board had reached agreement to sell ATI to Liontrust Asset Management PLC (Liontrust), a specialist fund management group that has been listed on the London Stock Exchange since 1999. It is expected that net proceeds will be not less than £25m, before any future contingent consideration. The actual value which the Trust will finally receive will be dependent on the movement in the price of the Liontrust shares acquired as part of the consideration. This compares to its fair value of £19.8m as at the end of June 2016.

Key Performance Indicators

for the year to 31 December

Fair value

£28.3m +43%



Funds above median over 3 years

67% -14%

Third party assets under management*

£2.3bn +11.5%

Third party net inflows*

£51m -37%

*Excludes effect of Alliance Trust mandate in February 2016.

	2016 (£m)	2015 (£m)
Net revenue	22.0	10.5
Ongoing expenses	(18.9)	(12.6)
Operating profit/(loss)	3.1	(2.1)
One-off expenses	(2.7)	-
Profit/(loss) before tax	0.4	(2.1)

Alliance Trust Savings

Alliance Trust Savings is a platform business offering a range of investment and pension products, with broad investment choice.

The focus of Alliance Trust Savings during the last year has been on the completion of the Stocktrade acquisition and re-platforming, both seen as important in growing the profitability of the business.

The business has three distribution channels: direct, intermediary and corporate partnerships. The emphasis during the year has been on its intermediary channel where good growth has been achieved. Growth in Assets under Administration has been achieved in all channels which has seen Alliance Trust Savings end the year with almost £14bn of assets on its platform. Customer numbers have increased due to the Stocktrade acquisition. Although there was a price increase earlier in the year the flat rate pricing model, with no increased costs for those customers with more valuable portfolios, remains very competitive for customers holding investments in excess of £50,000.

The acquisition of Stocktrade has meant that there is now a mature corporate partnership channel which we believe will deliver asset and account growth in 2017.

The management structure of the business has been strengthened and the separation of the business from other group companies is almost complete. Alliance Trust Savings now has its own executive function and three experienced non-executives to provide a greater sense of direction and challenge.

Alliance Trust Savings saw net revenue grow during the year to £21.6m, an increase of 58%, and made a profit in the year of £1.2m after a gain on discontinued operations compared to its loss of £5.2m last year. This profit was achieved despite higher than expected expenditure on the new technology, which is expected to be available for all customers in 2017, and the cost of implementing a revised management and board structure.

The Trust made a further investment in the business this year of £15m giving a total investment since the business was established in 1986 of £107.9m. The Directors attributed a fair value to this business at 31 December 2016 of £61.5m, an increase of £7.5m on its value last year. Further details of the methodology used and the approach adopted can be found in Note 23.8 on pages 83 to 86.

Key Performance Indicators

for the year to 31 December

Fair value

£61.5m +14%

Assets under administration

£13.6bn +60%

Customer accounts

110,962 +31%

Number of trades

673,486 +25%

	2016 (£m)	2015 (£m)
Net revenue*	21.6	13.7
Ongoing expenses	(20.4)	(16.8)
Operating profit/(loss)	1.2	(3.1)
One-off gains and non-recurring expenses**	(0.1)	(2.1)
Profit/(loss) before tax	1.2	(5.2)

*Operating income per ATS Financial Statement.
**In 2016 this is the net of the gain on discontinued operations of £1.7m and non-recurring expenses of £1.8m. The 2015 expense (£2.1m) related to a provision for discontinued operations.

Portfolio Listing

All quoted equity holdings as at 31 December 2016

Stock	Sector	Country of listing	% of quoted equities	Value £m
Pfizer Inc.	Health Care	United States	2.8	88.2
Walt Disney Company	Consumer Discretionary	United States	2.6	83.4
Visa Inc. Class A	Information Technology	United States	2.5	80.1
Accenture Plc	Information Technology	United States	2.5	79.0
Ecolab Inc.	Materials	United States	2.4	76.4
Macquarie Infrastructure Corporation	Industrials	United States	2.4	75.3
Amgen Inc.	Health Care	United States	2.3	74.1
Toronto-Dominion Bank	Financials	Canada	2.3	74.0
Acuity Brands, Inc.	Industrials	United States	2.3	73.2
Microsoft Corporation	Information Technology	United States	2.3	71.5
Blackstone Group L.P.	Financials	United States	2.2	69.8
Roche Holding Ltd Genusssch.	Health Care	Switzerland	2.1	67.3
Daikin Industries, Ltd.	Industrials	Japan	2.1	66.3
DNB ASA	Financials	Norway	2.1	65.7
Prudential plc	Financials	United Kingdom	2.1	65.6
American Tower Corporation	Real Estate	United States	2.1	64.8
Deutsche Telekom AG	Telecommunication Services	Germany	2.0	63.8
First Republic Bank	Financials	United States	2.0	63.0
Danaher Corporation	Health Care	United States	2.0	62.4
Thermo Fisher Scientific Inc.	Health Care	United States	2.0	62.1
Swedbank AB Class A	Financials	Sweden	1.9	61.0
Norsk Hydro ASA	Materials	Norway	1.9	60.2
Eli Lilly and Company	Health Care	United States	1.9	60.1
Total SA	Energy	France	1.9	59.4
National Grid plc	Utilities	United Kingdom	1.9	59.2
Statoil ASA	Energy	Norway	1.9	58.6
Tencent Holdings Ltd.	Information Technology	China	1.9	58.6
WPP Plc	Consumer Discretionary	United Kingdom	1.8	57.5
Nasdaq, Inc.	Financials	United States	1.8	57.1
NXP Semiconductors NV	Information Technology	Netherlands	1.7	55.2
Cadence Design Systems, Inc.	Information Technology	United States	1.7	53.9
Enterprise Products Partners L.P.	Energy	United States	1.7	53.1
ASML Holding NV	Information Technology	Netherlands	1.7	52.5
Activision Blizzard, Inc.	Information Technology	United States	1.7	52.4
CVS Health Corporation	Consumer Staples	United States	1.6	50.3
TJX Companies Inc	Consumer Discretionary	United States	1.6	49.6
SS&C Technologies Holdings, Inc.	Information Technology	United States	1.6	49.2
Equinix, Inc.	Real Estate	United States	1.5	47.9
Wells Fargo & Company	Financials	United States	1.5	46.4
ORIX Corporation	Financials	Japan	1.5	45.9
SAP SE	Information Technology	Germany	1.4	42.8
Alphabet Inc. Class A	Information Technology	United States	1.3	41.8
GlaxoSmithKline plc	Health Care	United Kingdom	1.3	41.6
Vodafone Group Plc	Telecommunication Services	United Kingdom	1.3	40.8
Reckitt Benckiser Group plc	Consumer Staples	United Kingdom	1.3	40.7
CSL Limited	Health Care	Australia	1.3	39.9
Henkel AG & Co. KGaA Pref	Consumer Staples	Germany	1.2	38.4
Legal & General Group Plc	Financials	United Kingdom	1.2	37.3
Melrose Industries PLC	Industrials	United Kingdom	1.1	35.7
Schneider Electric SE	Industrials	France	1.1	35.2
Unilever PLC	Consumer Staples	United Kingdom	1.0	33.0
Valeo SA	Consumer Discretionary	France	1.0	33.0
AmerisourceBergen Corporation	Health Care	United States	1.0	31.5
Dentsu Inc.	Consumer Discretionary	Japan	1.0	31.0
Roper Technologies, Inc.	Industrials	United States	1.0	30.8
Ambev SA Sponsored ADR	Consumer Staples	Brazil	1.0	30.4
Keyence Corporation	Industrials	Japan	0.9	29.9
Bangkok Bank Public Company Limited (Alien Mkt)	Financials	Thailand	0.9	29.0
			100.0%	Total Value 3,156.9

Funds as at 31 December 2016

Alliance Trust Investment Funds	Country of registration	Value £m
Sustainable Future Pan-European Equity Fund	Luxembourg	69.5
Sustainable Future Cautious Managed Fund	United Kingdom	11.9
Sustainable Future Defensive Managed Fund	United Kingdom	11.7
	Total Value	93.1

Investments in operating subsidiary companies as at 31 December 2016

Investment	Region	Value £m
Alliance Trust Savings	United Kingdom	61.5
Alliance Trust Investments	United Kingdom	28.3
	Total Value	89.8

Non-core investments as at 31 December 2016

Investment	Region	Value £m
Private Equity	United Kingdom/Europe	103.6
Mineral Rights	North America	13.2
Indirect Property	United Kingdom	9.5
Other	United Kingdom	1.2
Foreign Currency Exchange Contract		6.9
	Total Value	134.4

Total investments as at 31 December 2016

Investment	Value £m
Quoted Equities	3,156.9
Funds	93.1
Investments in operating subsidiary companies	89.8
Non-core investments	134.4
Total Value	3,474.2

Source: Alliance Trust
A full portfolio listing, similar to that displayed above, is available on a monthly basis on our website at www.alliancetrust.co.uk

Costs and Financial Measures – 2016

We provide here a breakdown of how our Ongoing Charges Ratio is calculated and cost savings achieved across the investment business.

Ongoing Charges Ratio (OCR)

In October 2015 we announced a targeted Ongoing Charges Ratio ('OCR') of 0.45% or less by the end of 2016 (compared to 0.59% in 2015 and 0.60% in 2014).

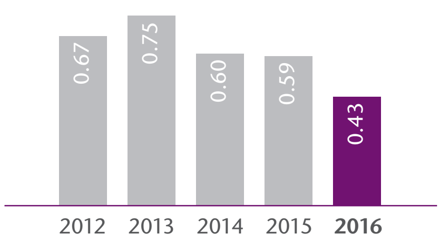
The actual 2016 OCR which is calculated on ongoing expenses was 0.43%. This reduction in OCR has been achieved through the appointment of Alliance Trust Investments (ATI) to manage the portfolio at an investment management charge of 0.35% of an adjusted NAV (excluding holdings in ATI managed funds and the fair value of ATS and ATI), effective management of ongoing direct expenses for the Trust and the Group reorganisation whereby direct expenses of ATI and Alliance Trust Savings are now borne directly by these entities.

Ongoing expenses exclude non-recurring expenses relating to the Strategic Review and restructuring costs. Non-recurring costs in 2016 relating to the Strategic Review, indirect ATI sale costs and reorganisation costs are £3.4m.

The Trust implemented a new cost allocation policy in 2016. Where consistent with AIC SORP guidelines we now allocate management fees and other indirect expenditure one third to revenue profits and two thirds to capital profits. In prior years, with the exception of capital incentives, all expenses were recorded against revenue profits. The 2016 OCR of 0.43% is based on total ongoing costs, the corresponding OCR on total ongoing costs would have been 0.63% rather than the reported 0.59% based on revenue costs.

As in prior years the OCR excludes one-off or non-recurring costs. Non-recurring costs in 2016 were £3.4m (2015: £5.2m). Further disclosure of non-recurring costs is on the next page.

Ongoing charges ratio (%)



Source: Alliance Trust

Cost savings across the Investment Business

In October 2015 we announced targeted cost savings of £6m, equivalent to more than 20% of the combined recurring costs borne by the Trust and ATI in 2015. By Investment Business we mean the combined costs of the investment manager, ATI, and the direct costs of the Trust after the Group reorganisation implemented in the last quarter of 2015.

The targeted £6m of costs savings were achieved and in total we reduced annual costs by over £9m; achieved through a combination of the initial cost target savings and an additional £3m cost saving in ATI as the business moved to profitability. The cost base of ATI was restructured in 2016 through staff reductions, a change in premises and management of discretionary spend; this enabled ATI to generate monthly profits from July 2016.

The ongoing costs of the Trust are now driven by a variable management fee. Other costs of running the Trust are directly under the control of the Board. In 2016 the Board sought to reduce ongoing costs to a level consistent with running the Trust efficiently and restoring shareholder value.

Dividends

Alliance Trust has increased the ordinary dividend in each of the last 50 years and is one of only four companies in the FTSE All-Share index with such a track record. The Board's current policy is to pay a progressive dividend and under normal market conditions to pay all net income received as ordinary dividends.

The ordinary dividend for 2016 will rise by 16% to 12.774p. A fourth interim dividend of 3.274p will be paid on 31 March 2017 to shareholders who were on the Company's share register on 10 March 2017.

Discount

Our policy is to buyback shares where we judge it to be beneficial to shareholders. Through the use of our share buyback programme we narrowed the discount significantly at the year end closing the year at 4.4% slightly less than the AIC Global Sector's average of 4.6%. Since the year end the discount has remained on or around 5%. All the shares bought back have been cancelled.

Alliance Trust PLC
Ongoing Charges Ratio (OCR) Summary 2016

£'000	2016 Revenue	Capital	Total	2015 Revenue	Capital	Total
Average net assets			**3,111,711**			**2,983,253**
Total administrative expenses	7,960	8,810	16,770	22,835	1,133	23,968
Non-recurring expenses	(1,782)	(1,590)	(3,372)	(5,233)	-	(5,233)
Ongoing expenses	**6,178**	**7,220**	**13,398**	**17,602**	**1,133**	**18,735**
Non-recurring expenses						
Reorganisaton	556	179	735	2,880	-	2,880
Strategic Review	457	1,221	1,678	-	-	-
Indirect disposal costs of ATI	769	189	959	-	-	-
AGM requisition	-	-	-	2,353	-	2,353
	1,782	**1,590**	**3,372**	**5,233**	-	**5,233**
OCR ongoing expenses*			**0.43%**	**0.59%**		**0.63%**
Total Expenses Ratio (TER)*			**0.54%**	**0.77%**		**0.80%**

*We have not shown an OCR or TER for 2016 revenue expenses because from 1 January 2016 these measures are calculated on total expenses.

The expenses relating to Alliance Trust Investments and Alliance Trust Savings can be found on pages 16 and 17.

Risk Management

This section of the report deals with the structure of the Group's Risk Management Framework and risk reporting.

Risk Management Framework

The Group has a Risk Management Framework that provides a robust and comprehensive approach for the identification and management of key risks facing the business. The Framework helps in the assessment and management of current and future risks. Principal Risk categories include Market and Prudential, Operational, Strategic and Regulatory and Conduct Risk. The Risk Management Framework supports two key processes:

- the ICAAP (Internal Capital Adequacy Assessment Process), which helps to determine the capital requirements (including potential stress points) of the Group; and
- the ILAAP (Internal Liquidity Adequacy Assessment Process), which helps to determine the liquidity requirements (including potential stress points) of the Group.

Market and Prudential Risks

Risk	Description	Mitigating activities	Change in year
Investment under-performance	Investment performance fails to deliver sufficient capital growth due to poor stock selection, sector allocation or wider market movements.	• Asset allocation strategy and governance • Robust investment process • Compliance with investment parameters regularly tested • Stress and scenario testing of portfolios • Risk and performance management information regularly reviewed by the Board	
Liquidity	The Company does not have sufficient liquid resources to ensure that it can meet its liabilities as they fall due during normal and stressed times.	• Majority of investments are in listed equities • Daily monitoring of cash positions • Gearing availability	

Operational Risks

Risk	Description	Mitigating activities	Change in year
Cyber attack	Failure to ensure that the business is adequately protected against the threat of cyber attack, which may lead to significant business disruption or external fraud. Despite action taken by management to improve systems the increasing trend is due to the general growth in cyber related incidents across the industry.	• Systems and controls to protect the business regularly tested • Ongoing monitoring of environment to understand threat landscape • Programme of enhancements to keep pace with latest defence strategies • Business continuity plans in place should an incident occur	
Change of Investment Manager	The Company changed its investment manager to Alliance Trust Investments in 2016 and will change it to Willis Towers Watson in 2017.	• Experienced investment managers • Use of transition manager for the investment switch to Willis Towers Watson	

Risk Appetite

A Risk appetite statement has been approved by the Board and provides the basis for the level of risk the Group is prepared to accept. A suite of risk appetite metrics have been agreed and activity is monitored against stated triggers and limits. Details of exceptions to our Risk Appetite are noted on the following page.

Risk Governance Committees

The Audit and Risk Committee comprises all of the Non-Executive Directors other than the Chairman, with delegated responsibility from the Board to provide oversight and challenge to the appropriateness of the Risk Management Framework and the forward-looking risks facing the Group. Alliance Trust Investments and Alliance Trust Savings both had their own Audit and Risk committees focused on the risks associated with their businesses. The Committee received reports of Risk Exposures and Events, as well as discussing any breaches of the agreed risk appetite.

Principal risks

In common with other financial services organisations, our business model results in a number of inherent risks which are continuously monitored and managed. The risks have been categorised as Market and Prudential, Operational, Strategic and Regulatory and Conduct Risks. The Board regularly carried out a robust assessment of the principal risks that the Group could face and their mitigants.

Strategic Risks

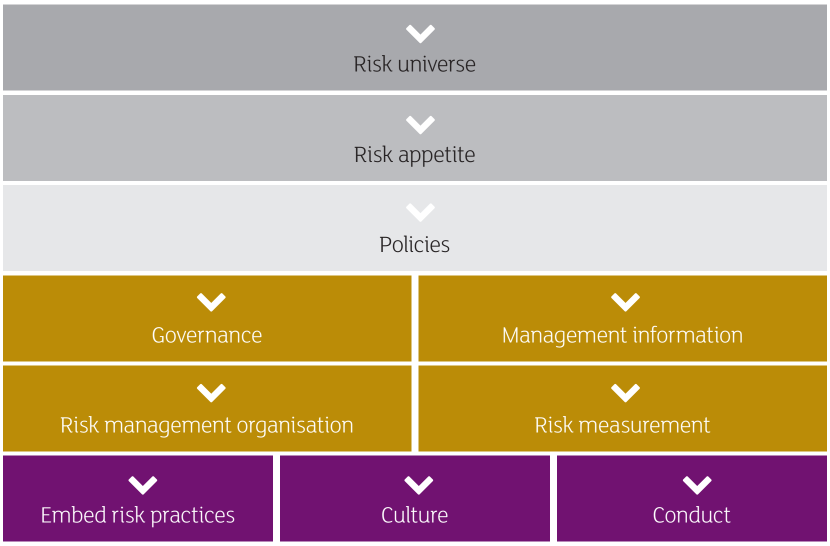
Risk	Description	Mitigating activities	Change in year
Performance impacted by external factors	Stock market action involving Alliance Trust results in uncertainty around the business model and impact on performance (current and future). The increasing risk is due to continued focus by shareholders on delivery of the Trust's strategy.	• Continuous monitoring against KPIs at Board level • Regular meeting with shareholders • Regular reviews of business model and strategy • Ongoing review of political and economic environment	
Subsidiary under-performance	Alliance Trust Savings or Alliance Trust Investments do not meet their business plans, causing the Company to fail to make a return on its investment.	• Regular reporting to Board of performance against plan • Active management of costs • Reviews of threats to revenue streams and management of key clients • Diversified proposition • The sale of Alliance Trust Investments in 2017 will reduce this risk	

Regulatory and Conduct Risks

Risk	Description	Mitigating activities	Change in year
Regulatory non-compliance	Failure to ensure that systems and controls are adequate to allow compliance with all relevant regulatory requirements.	• Risk Control Self-Assessment process regularly assesses robustness of control environment • Regulatory developments process to ensure changes are appropriately implemented • Verification activities by Depositary as part of AIFM Directive requirements	

Risk Management
continued

Risk framework



We undertake an annual assessment of the effectiveness of the Risk Framework (see the diagram opposite). The most recent assessment was presented to the Audit and Risk Committee following the year end and noted that there were no significant concerns to highlight.

An annual report on the effectiveness of the internal control systems is provided to the Board. This includes a review of all material financial, prudential, operational and compliance controls. The report builds on the reporting of each line of defence that is provided across the course of the year through the governance committees up to the Board. The latest report was presented to the Audit and Risk Committee following the year end and no material issues were identified.

Risk Appetite

Risk Appetite measures which at the year end and in each quarter of 2016 were outside the limits approved by the Board were:

- Net Asset Value relative to MSCI ACWI
- Management of Alliance Trust PLC Direct Costs

The Board believes that the output from the Strategic Review and the actions being taken to implement a new investment approach will see these measures return to within our risk appetite limits.

The other measures which breached the agreed risk appetite during the year were:

- Discount – Breached from Q1 to Q3, with an improvement to within target following the Strategic Review announcement in December and the commencement of an active programme of share buybacks.
- Performance of subsidiaries against business plan – Breached in Q1 and Q2, with improvements made in the second half of the year with Alliance Trust Investments moving to operational profitability; however, Alliance Trust Savings profit finished the year below budget.

Corporate Responsibility

We report in our Investment Manager's report how we exercise our stewardship responsibilities demonstrating our commitment to good corporate governance.

As an investment trust we have no customers however we do believe that we should maintain an open dialogue with our shareholders and during the year we met with our significant shareholders as well as individual shareholders and their representatives to hear their views and to update them on the progress of the Trust. This helps the Board to act fairly between the members of the Company by ensuring that it captures a range of shareholder views.

We have supported the Alliance Trust Foundation charity, which raises money through the Alliance Trust Cateran Yomp and fundraising activities by staff, for 3 years. Over that period the Company has donated £93,167. The Alliance Trust Foundation distributed £156,034 to charities including £87,423 to 28 charities in 2016. The charities supported are, in the main, those which are based in the communities where we have offices or where employees of the Group companies live i.e. Dundee, Edinburgh and London. We ceased our sponsorship of the Cateran Yomp after the 2016 event.

The Board believes that a diverse workforce will create the environment to allow our businesses to thrive and grow. We look for our subsidiaries to have an inclusive environment where people can develop and contribute fully. The Group's employment and recruitment policies are at all times compliant with relevant EU and UK legislation.

Recruitment, development and promotion is based solely on the candidate's suitability for the job to be done and there should be no discrimination either before or during employment on the basis of gender, sexual orientation, age, race, nationality, disability, political or religious belief. Should any employee become disabled they should not suffer any discrimination and reasonable adjustments will be made to allow them to continue to have the same opportunities as any other member of the workforce.

The Board also recognises its responsibilities to its former employees and has for a number of years looked to de-risk the Trust's final salary pension scheme, which has around 200 members, by making additional contributions. In 2016 the Trust agreed to provide additional funding of £19.2m to partially fund the purchase of a bulk annuity policy which, along with existing annuities, now secures the benefits of all of the Scheme members.

The table below provides the gender split of the Board of the Company as at 31 December 2016. The Company has no employees. On 1 January 2016 all staff in the Group were transferred from Alliance Trust Services, which is the only consolidated subsidiary, to either Alliance Trust Savings or Alliance Trust Investments and accordingly we no longer disclose the gender split of the managers and staff of those companies. Alliance Trust Services has only one director who is a male.

	Male	Female
Board	5 (83%)	1 (17%)

Total greenhouse gas emissions data

We report here on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources relate to offices occupied by our subsidiaries and to travel undertaken by their employees. Although these subsidiaries do not fall within our consolidated financial statements they are wholly owned by the Company and are therefore regarded as under its control for the purposes of reporting emissions.

Our carbon footprint has been calculated based on the WRI/WBCSD Greenhouse Gas Corporate Accounting and Reporting Standard (GHG Protocol) and Defra guidelines. We have adopted an operational control approach. The emissions reported below have been verified by Carbon Footprint Limited. Details of our verification statements are available on our website.

Tonnes CO2e		Year to 31 Dec 2013	Year to 31 Dec 2014	Year to 31 Dec 2015	Year to 31 Dec 2016	% Change year-on-year
Scope 1	Natural gas Refrigerant loss Company cars	211	190	181	139	-23%
Scope 2 Location based	Purchased electricity	489	535	472	404	-14%
Scope 2 Market based		–	–	112	66	-41%
Scope 3	Downstream leased assets Business travel	649	592	645	364	-44%
Total all Scopes		**1,349**	**1,316**	**1,298**	**907**	**-30%**
Total Scope 1 + 2		700	725	653	543	-17%
Scope 1 + 2 per full employee equivalent (FTE)		2.76	2.63	2.07	1.72	-17%

The Strategic Report (comprising the inside cover to page 25 of this document and the viability statement on page 37) has been approved by the Board and signed on its behalf by

Lord Smith of Kelvin
Chairman
23 March 2017

Board of Directors

			
	Lord Smith of Kelvin **Chairman** Appointment to the Board 2016 Committee membership • Nomination (Chair) • Management Engagement	**Gregor Stewart** **Deputy Chairman** Appointment to the Board 2014 Committee membership • Nomination • Audit & Risk (Chair) • Remuneration • Management Engagement	**Karl Sternberg** **Non-Executive Director** **Senior Independent Director** Appointment to the Board 2015 Committee membership • Nomination • Audit & Risk • Remuneration • Management Engagement (Chair)
Subsidiary Board responsibilities		Non-Executive Director of Alliance Trust Savings	
Skills and experience	• Investment • Asset Management • Financial Services • Business Leadership	• Financial and Risk oversight • Investment Trusts • Financial Services • Risk • Strategic Change • Corporate Finance • Distribution	• Investment • Asset Management • Investment Trusts • Financial Services • Business Leadership
External appointments	• Chairman of UK Green Investment Bank, IMI PLC and Forth Ports Ltd	• Non-Executive Director of Intrinsic FS Group, FNZ UK Ltd and its holding company • Honorary Treasurer for the charity International Alert	• Non-Executive Director of Jupiter Fund Management PLC, JPM Elect plc, Monks Investment Trust PLC, Lowland Investment Company PLC, Herald Investment Trust PLC, Railpen Investments and Clipstone Logistics REIT PLC • Member of Governing Body of Christ Church, Oxford • Fellow of St Catherine's College, Oxford
Previous experience	• Chief Executive Morgan Grenfell Asset Management • Chairman of The Weir Group PLC and SSE PLC • Non-Executive Director of Standard Bank Group Limited • Chairman of the Scottish Devolution Commission • Chairman of the Glasgow 2014 Commonwealth Games organising company • Member of the Financial Reporting Council	• Finance Director at Scottish Widows • Finance Director for the Insurance Division of Lloyds Banking Group • Chartered Accountant with and Partner of Ernst & Young	• Partner of Oxford Investment Partners • Global Head of Equities and Chief Investment Officer Europe and Asia Pacific at Deutsche Asset Management

Anthony Brooke
Non-Executive Director

Appointment to the Board 2015

Committee membership
• Nomination
• Audit & Risk
• Remuneration (Chair)
• Management Engagement

• Investment
• Asset Management
• Financial Services
• Corporate Finance
• Marketing

• Non-Executive Director of Quintessentially (UK) and Bourne Park Capital Ltd
• Member of the Investments Committee of Christ's College, Cambridge
• Member of the Investment Committee of the National Portrait Gallery, London
• Investment advisor to a number of charitable endowments

• Vice-Chairman of S G Warburg & Co. Ltd
• Partner of Fauchier Partners
• Non-Executive Director of Huntsworth plc

Clare Dobie
Non-Executive Director

Appointment to the Board 2016

Committee membership
• Nomination
• Audit & Risk
• Remuneration
• Management Engagement

• Asset Management
• Investment Trusts
• Financial Services
• Marketing and Distribution

• Non-Executive Director of Aberdeen New Thai Investment Trust PLC, F&C Capital and Income Investment Trust PLC and Schroder UK Mid Cap Fund PLC
• Trustee of Essex and Herts Air Ambulance Trust

• Group Head of Marketing at GAM
• Head of Marketing and Clients at Barclays Global Investors
• City Editor at the Independent
• Director, Braxted Marketing Measures
• Deputy Chair, Southend University NHS Foundation Trust

Chris Samuel
Non-Executive Director

Appointment to the Board 2015

Committee membership
• Nomination
• Audit & Risk
• Remuneration
• Management Engagement

Non-Executive Director of Alliance Trust Investments

• Asset Management
• Investment Trusts
• Financial Services
• Business Leadership
• Financial Oversight
• Corporate Finance

• Chairman of Defaqto
• Non-Executive Director of JP Morgan Japanese Investment Trust PLC, UIL Limited, UIL Finance Limited, BlackRock Throgmorton Trust Plc
• Non-Executive Director and member of Executive Committee and Chair of the Finance and Investment Committee of London Community Foundation

• Chief Executive of Ignis Asset Management
• Chief Operating Officer at Gartmore
• Chief Operating Officer at Hill Samuel Asset Management
• Partner at Cambridge Place Investment Management
• Chartered Accountant with KPMG

Corporate Governance

Alliance Trust takes good governance seriously. Since the changes that were announced in 2015 and implemented in 2016 to introduce independent boards for both Alliance Trust Savings and Alliance Trust Investments and to move to a Non-Executive only Board for Alliance Trust PLC we have seen quite a radical change in the way in which the Company is run.

We have seen greater accountability from the executives who were charged with running our subsidiary business as they were challenged by independent non-executives as well as a non-executive appointed from the board of the Company. This is the first time that both of these subsidiaries have reported profits in the same year, and the first time that Alliance Trust Investments has reported a profit.

With less distraction from the affairs of the subsidiaries the Board has been focused on delivering the outcome of its Strategic Review, reported in more detail on pages 2 and 3, as well as ensuring that the Company itself is observing good standards of governance. Over the next few pages we outline the work that the Board and the Committees have done over the year. I would highlight that, apart from myself, every Director is a member of each Committee and has contributed across all areas of our governance. We took the decision last year that as a small Board it was more effective for all of the Directors to be involved in the work of all of the Committees so that everyone was aware of developments and could contribute from their own areas of specialist knowledge; we believe that this has led to more informed decisions and efficient use of the Directors’ time. This does mean that, on occasions, the Board itself may consider items of business that would normally come to it as a recommendation from one of the Board Committees, for example the appointment of a new director, however that has not detracted from the work of those Committees which are structured to allow adequate time for discussing matters in more depth than could be achieved within a Board meeting. We will be reviewing our Committee structure again in 2017 in light of experience gained in 2016.

Compliance with AIC Code of Corporate Governance

The Company has complied with the recommendations of the AIC Code of Corporate Governance issued in July 2016. This report describes how the Board applies the principles of that Code in practice.

Financial Reporting Council

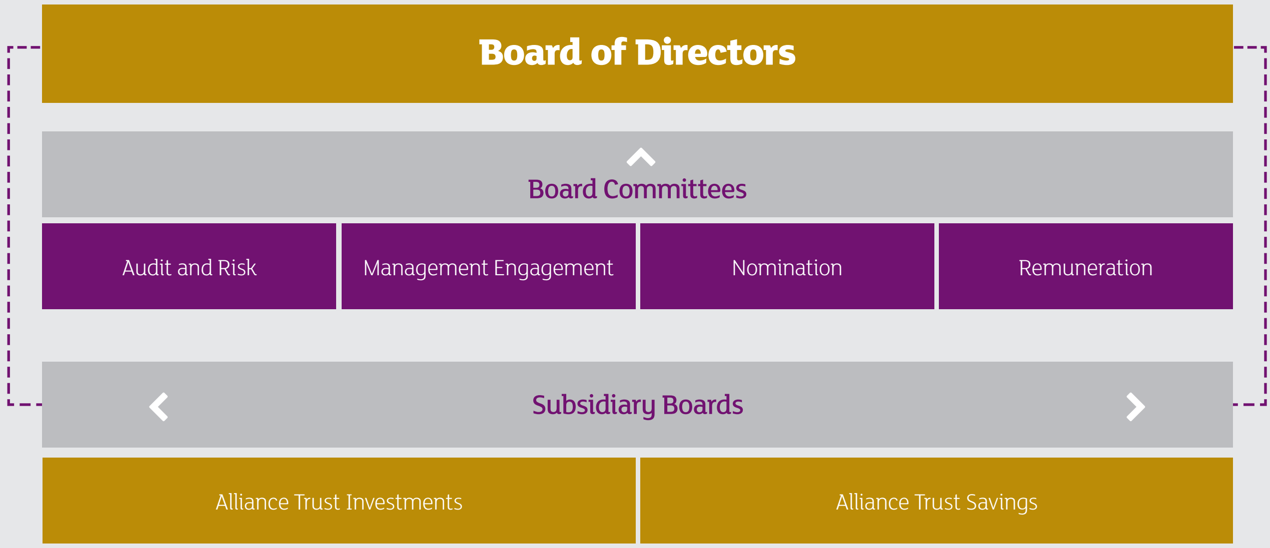
As part of their regulatory responsibilities the Conduct Committee of the Financial Reporting Council review and investigate the annual reports and directors’ and strategic reports of public companies. Our Report and Accounts for 2015 were reviewed and the Conduct Committee confirmed that they had no questions or queries which they wished to raise with us. Their review was not based on the detailed knowledge and understanding of the business that our Board has however it was conducted by staff of the Financial Reporting Council who have an understanding of the relevant legal and accounting framework.

Lord Smith of Kelvin,
Chairman

Corporate structure

We have a number of Board Committees to ensure good governance and to enhance accountability and independence. The terms of reference of the four standing committees reporting to the Board can be found at www.alliancetrust.co.uk. The diagram below shows the main committees and reporting lines within the Group that were in place at the year end. The Board will on occasions constitute ad hoc committees or working groups for specific purposes and has constituted a Disclosure Committee which will meet as required to consider the disclosure of inside information held by the Company.

Structure



Since the end of 2015 the Board of the Company does not require the subsidiary boards to seek endorsement for their business plans, budgets, the launch of new funds or products or approval of major business expenditure. These changes, along with the appointment of new independent directors, have made the subsidiary boards more autonomous.

The Board still maintains an element of oversight and it has to be consulted before either of the subsidiaries takes any action which could impact adversely on the reputation or long-term financial interests of the Company. Each of the subsidiary companies also have a non-executive director from the Company sitting as a non-executive director on their board.

Board Experience

The Board recognises that they require a mix of skills and experience to ensure that the Company is managed and governed effectively. We set out below the key skills which the Board has identified that it must have. In addition to these key skills the Board also has experience in Investment, Financial Oversight, Risk, Strategy and Change and Corporate Finance.

Board experience	Financial Services	Business Leadership	Asset Management	Investment Trusts	Marketing and Distribution
Lord Smith of Kelvin	✓	✓	✓		
Gregor Stewart	✓			✓	✓
Anthony Brooke	✓		✓		✓
Clare Dobie	✓		✓	✓	✓
Chris Samuel	✓	✓	✓	✓	
Karl Sternberg	✓	✓	✓	✓	

Board Evaluation

We believe that boards should regularly review their own performance as part of a programme of continuous improvement. In addition to regular discussions in the course of board meetings, each year the Board undertakes a formal review of its own performance and that of each of its Committees. The Board as a whole meets to assess its own performance and that of its Committees.

Alliance Trust has a longstanding practice of periodic externally facilitated board reviews and has now done so four times beginning in 2007. The most recent external evaluation was carried out in December 2015 and the next external evaluation is planned for December 2017.

2015 evaluation

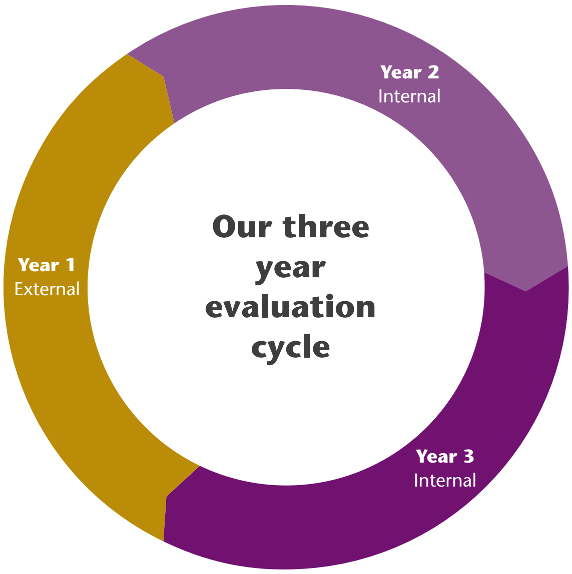
The 2015 evaluation identified that one area of focus should be an assessment of the skills and competencies of both current and future board members. An assessment was carried out by the executive search and board advisory firm Russell Reynolds, who also provide non-executive director search services to the Company and its subsidiaries. The conclusion of the report they produced was that, overall, the Board had robust governance practices and a good, diverse mix of directors with strong values alignment and orientation; the Board and committees functioned well with strong processes and diligent focus.

2016 evaluation

The Board opted to conduct the 2016 performance evaluation through formal questionnaires and discussion between the Directors, Chairman and the Audit and Risk Committee Chairman. In summary, the conclusion was that 2016 was an exceptional year in terms of the time commitment of the Directors and that all of individual Directors contributed to the effective operation of the Board and of its Committees. The evaluation did identify that there was a significant level of overlap between the work of some of the Committees and that of the Board and it was agreed that the Committee structure would be reviewed.

External Evaluation

- Agree focus and timing
- Agree external evaluator Outside firm interviews Directors and senior managers
- Outside firm attends Board meeting
- Presentation of findings to Board Agree Actions
- Implement Actions



Internal Evaluation

- Agree themes
- Questionnaires completed by Board and senior managers Interviews by Chairman Report to the Board
- Agree Actions
- Implement Actions

Management Engagement Committee

"The Management Engagement Committee was constituted in 2016 to oversee and review the performance of the investment manager. During the course of the year the whole Board decided to consider a number of matters that would normally have been the responsibility of this Committee. Since all members of the Board are also members of the Committee, we believed it would be more effective if these matters were considered directly by the Board rather than by convening a separate meeting of the Committee to make recommendations to the Board. We report here on our deliberations."

Karl Sternberg
Chairman, Management Engagement Committee

Areas of focus in 2016

Evaluation of the Investment Manager's Performance

The Board considered the performance of Alliance Trust Investments (ATI) during the year, and its contractual arrangements. We concluded that although ATI had underperformed its objective, we believed that on a longer-term basis, the manager continued to provide the levels of return that could be expected in current market conditions from a single manager with ATI's investment style. Nevertheless, we decided to undertake a Strategic Review to consider whether a different approach would better suit the objectives of the Trust.

We received a number of submissions from third-party managers offering both global equity and multi-asset approaches. We considered these submissions, and the continued appointment of Alliance Trust Investments, on their own merits and then compared them with an unconstrained choice of single managers, whether they had submitted proposals or not.

After broad consultation, the Board decided that a multi-asset model was not an appropriate choice, so our focus was on the best way to deliver consistently good performance against the existing global equity benchmark.

We considered single managers and a traditional multi-manager approach with broad mandates spread across a number of investment houses. We decided, however, that either of these would lead to a portfolio with too many stocks and lower active money and would not be exclusive to the Trust: we wanted to deliver a conviction portfolio with fees paid only for active stock selection. As a result, the Board decided that we would appoint multiple managers with high conviction 20-stock portfolios.

In order to implement this new approach, we took two decisions:

1. To sell Alliance Trust Investments to a firm better able to exploit its natural advantages in sustainable investment; and
2. After a competitive tender, to appoint Willis Towers Watson (WTW) as our new investment manager.

The Board believes that its new focused multi-manager approach to be implemented by WTW is an opportunity to provide investors with a genuinely innovative and distinctive equity portfolio. It will both be high conviction and have a lower risk of disappointment. We also believe that the new approach will provide access to managers that are not otherwise accessible to retail investors.

The Board decided not to include performance fees as part of the remuneration structure for the underlying managers or for WTW. This is not just to avoid complexity, but is also designed to reduce the likelihood of managers replicating the benchmark index and rewarding managers for achieving performance levels they are already obligated to deliver.

The Board also agreed that the appointment of WTW would be on six months' notice. This is the same notice period as was included in the agreement with Alliance Trust Investments.

Nomination Committee

"The Nomination Committee exists to assess the skills and experience of the individual directors of the Company in order to ensure that they are sufficient to provide effective direction and oversight of the Company's strategy and operation. We set out below the main areas of focus of the Committee during 2016."

Lord Smith of Kelvin
Chairman, Nomination Committee

Areas of focus in 2016

Re-election of Directors

Since 2011 each Director has been subject to annual re-election by shareholders. The Committee considered each continuing Director for their independence, contribution, commitment and time availability and concluded that each Director satisfied these criteria and recommended their re-election. The Committee also assessed each director appointed since the last AGM and also assessed them under the same criteria and recommended their election or re-election.

Diversity Policy

The Committee approved the following Diversity Policy:

Alliance Trust recognises the benefits of having a diverse Board, and sees diversity at Board level as important in maintaining good corporate governance and Board effectiveness. The Board members should include different skills, regional and industry experience, background, race and gender. These differences will be considered in determining the composition of the Board and when possible should be balanced appropriately.

All Board appointments must be made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Nomination Committee ('the Committee') will review and assess Board composition on behalf of the Board and recommend the appointment of new Directors. In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities.

In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. As part of the selection process, where search agents are used, they will be required in preparing their long list to include female candidates of at least 25% of the number submitted for consideration. Over time the Board intends to achieve at least 25% female representation on the Board.

As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the experience, independence and knowledge of the Directors and the diversity representation of the Board, how the Board works together, and other factors relevant to its effectiveness will be considered.

Non-Executive Directors

The Board after approving its Diversity Policy agreed that action should be taken to address the lack of women on the Board and initiated a search for an additional director with the intention of improving gender diversity while also strengthening the existing Board's skills and experience. The search that was undertaken led to the appointment of Clare Dobie to the Board in May.

Audit and Risk Committee

"In this section we provide information on the main areas focussed on by the Audit and Risk Committee over the year. The Committee plays a significant role in ensuring that the Company's financial statements are properly prepared and that the systems of internal controls in place are effective and appropriate. The Committee monitors how effective management is in managing risk in the business. In addition, the Committee reviews and challenges the appropriateness of the Company's Risk Appetite, its application within the business and the investment manager's assessment of the risk outlook for the portfolio. We provide more detail on these matters on the next pages. The key areas of focus and the decisions taken during the year are summarised in the table below."

Gregor Stewart
Chairman, Audit and Risk Committee

Areas of focus in 2016

Risk Appetite	The Committee considered and updated its risk appetite and this is reported on in more detail on pages 22 to 24.
Cyber Risk	The Committee received reports on how cyber risk impacted on the Company and assessed the steps being taken by the boards of the subsidiary companies to protect their businesses through increased IT security measures implemented during the year.
Final Salary Pension Scheme	The Committee received updates on the progress of the Trustees of the Company's final salary pension to derisk the scheme through the purchase of a bulk annuity policy. The Trustees completed the buy in of the scheme's liabilities on 31 May 2016.
Valuation of Fixed rate Loan Notes	The Committee, to provide the market with greater transparency and to move towards market convention, approved a change in the accounting policy for the valuation of its £100m of unsecured long term fixed rate notes, to include both par and fair value. Further detail can be found in Note 2 on page 63.
Long Term Incentive Plan	The Committee received a report of the external independent review that had been commissioned into the process, controls and ownership of the process to determine the causes of errors arising in previous years. New procedures were approved and introduced to provide greater assurance that errors would be prevented in the future. The Committee requested the external auditors to ensure that their procedures are sufficiently robust in this regard.
Regulatory Compliance	The Committee approved a number of submissions to the regulators. These included the consolidated Group Internal Capital Adequacy Process (ICAAP) and the consolidated Group Individual Liquidity Assessment Process (ILAAP) which involved analysing the risks to the business and the level of capital required to reflect those risks and the way in which any liquidity concerns would be addressed.
Internal and External Auditors	The Committee considered both its internal and external audit requirements. In the third quarter of 2016, the investment manager (ATI) adopted a revised combined risk assurance and internal audit approach with the agreement of the Committee. During the year the Group outsourced certain internal audit services in relation to its subsidiaries. The Committee evaluated the performance of the external auditor and determined that it would be inappropriate to carry out a tender in a year of significant business change, a change in governance structures and a rotational change in audit partner.
Valuation of Unlisted Investments	The valuation methodology used to value the investments in the subsidiaries and private equity investments can be found in Note 23.8 on pages 83 to 86. The Committee took advice from an external valuer and an internally prepared paper in arriving at the fair value for Alliance Trust Savings. The Committee challenged the range of values provided and after fully reviewing the methodology and assumptions adopted. In respect of Alliance Trust Investments, the Committee assessed the year end valuation on the expected disposal proceeds excluding the contingent consideration.
Review of Annual and Interim Accounts	The Committee considered the content of the Interim Accounts and the Annual Report and Accounts of the Company before recommending approval to the Board. The Committee concluded that the Company's accounts were fair, balanced and understandable.

Audit and Risk Committee
continued

Internal controls

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

The Board is responsible for determining its appetite for the level of risk it is willing to take in achieving its strategic objectives and for the Group's risk management framework and internal control systems.

The Audit and Risk Committee assists the Board in fulfilling this responsibility through regular review of their effectiveness, including all material financial, operational and compliance controls. The Board has an established ongoing process for the identification, evaluation and management of the significant risks faced by the Company recognising that the now independent Boards of the subsidiary companies had their own Audit and Risk Committees to consider the risks specific to their businesses. The process helps the Board to carry out a robust assessment of the principal risks to the business.

The Company relies on the systems of internal control employed by its manager, Alliance Trust Investments (ATI), to facilitate effective and efficient operations and to ensure the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for reporting to stakeholders is reliable.

Any system of risk management and internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable assurance and not absolute assurance against regulatory breach, material misstatement or loss. In 2016, the Board is not aware of any such material matters having occurred.

The Company has appointed a Depositary, National Westminster Bank plc. The Depositary is responsible for the safekeeping of all custodial assets of the Company, ensuring its cash flows are properly monitored, for verifying and maintaining a record of all other assets of the Company and for the collection of income that arises from the Company's assets. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the FCA FUND Sourcebook, the Company's Articles of Association and the AIFM Directive.

Having carried out such procedures as the Depositary considers necessary to discharge their responsibilities as Depositary, it is their opinion, based on the information available to them and the explanations provided, that in all material respects the Company has been managed in accordance with the rules in the FUND sourcebook, the Articles of Association of the Company and as required by the AIFM Directive.

During 2016 the Committee provided challenge on the risk reporting provided in respect of the Company and in relation to subsidiaries ATI and ATS. The reviews undertaken included consideration of the Risk Appetite of the Company and of its subsidiaries as well as whether any of the trigger points set by the Board against each measure had been breached.

The Committee received reports from the Risk and Compliance functions of its investment manager (ATI) and ATS during the year. The External Auditor reports on the details of any significant internal control issues relating to the Company. The Committee, in conjunction with the equivalent committees of its subsidiaries, provided independent oversight and challenge of the Risk and Compliance functions to ensure that they were providing the level of scrutiny expected by the relevant Committees and the Board.

In the third quarter of 2016, ATI adopted a revised combined risk assurance and internal audit approach overseen by its Director of Risk & Compliance. This approach to providing assurance combines the use of resource from the ATI's Risk and Compliance team supplemented with co-sourced assurance testing from an external third party.

The ATI Director of Risk and Compliance presents the output of the review assignments to the Audit and Risk Committee of ATI, with any Trust specific reports provided to the Company's Audit and Risk Committee. The Director of Risk and Compliance has a direct reporting line to the Chairman of both the ATI and Company's Audit and Risk Committees.

Alliance Trust Savings continues to operate a three lines of defence model, where the third line of defence is comprised of the Internal Audit function and the Board Audit and Risk Committee. The Internal Audit function, which is outsourced, provides independent assurance of the suitability and effectiveness of the firm's risk management arrangements, including execution of responsibilities to ensure an effective risk and control environment. This is executed through the Internal Audit programme which adopts a risk based audit approach to provide a regular review of key processes and activities.

The Audit and Risk Committee performed an assessment for the purpose of this Annual Report, which considered all significant aspects of risk management and internal control arising during the period of the report, including the work of the assurance functions. The Committee then reported its findings to the Board.

As a result of the annual review and the ongoing processes for review, monitoring and reporting of the Group's risk management and internal controls, the Board did not identify any significant weaknesses or failings and remains satisfied with the effectiveness of the Group's risk management and internal control systems. The Board recognises that the environment in which the Company and its subsidiaries operate is complex and constantly evolving. The Board supports and guides the business in the ongoing development of the risk management tools which are in place to enhance the control environment of the business and to ensure the business continues to be well positioned to comply with operational and regulatory changes.

Internal controls over financial reporting

One of the risks to the Group is Financial and Prudential Reporting – the risk of misstatement of the accounting policies and ineffective controls over financial and regulatory reporting.

The Group has Financial Accounting Policies and an Accounting Manual to enable the Group to comply with all relevant accounting standards to ensure that the financial statements provide a true and fair view.

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

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

The Committee also considered whether the Annual Report, taken as a whole, was fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In arriving at their conclusion that the Annual Report satisfied this standard the Committee took into account the process adopted in the preparation of the document which included:

- The involvement of senior members of the management of Alliance Trust Investments in drafting meetings;
- The establishment of a working group of the Board and members of the management of Alliance Trust Investments to review drafts prior to consideration by the Committee;
- Verification of all factual statements contained within the narrative section of the Annual Report, with evidence required from the author;
- Statements which cannot be verified – typically opinions or forward-looking statements – specifically brought to the Committee's attention;
- Independent internal review by a senior manager not involved in the preparation of the Annual Report.

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

Independence of Auditor

The Committee's policy is to allow the audit firm to be instructed to undertake non-audit work only where there is no threat to independence. Any assignment must be approved on behalf of the Committee by its Chair. Such assignments are normally put out to tender. Last year £10,500 was paid to the Auditor, in respect of work on a review of the interim audit and audit of the annual accounts of the Pension Scheme.

Each year the Committee considers the independence of the Auditor. It has done so this year and confirms the Auditor's independence.

Effectiveness of Audit process

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

Following completion of the external audit of the financial statements for the period ended 31 December 2015 an evaluation of the External Auditor's effectiveness was undertaken. The Committee concluded that it was generally satisfied with the performance of the External Auditor. At last year's Annual General Meeting it was identified that there had been a management error in calculating the level of Long Term Incentive Plan awards that would vest, which was not identified by the Auditor. The Committee commissioned an independent external review of both the role of management and the Auditor with a focus on ensuring that procedures were strengthened to ensure no such errors recur. Given the changes in Deloitte's audit approach and the rotational change in audit partner, the Committee concluded that it was satisfied with the performance and independence of the External Auditor.

Appointment of Auditor

Following a tender, Deloitte LLP were appointed after approval of the members at the 2011 Annual General Meeting. Deloitte LLP have been reappointed at subsequent AGMs and are proposed for reappointment in 2016. The recommendation to reappoint Deloitte LLP is not automatic.

In the course of the year the Chair of the Committee has met with the Auditor outwith the formal structure of Committee meetings. The Committee has considered the performance of the Auditor and is satisfied with the rigour that they apply to the audit process and have recommended the reappointment of Deloitte LLP for a further year.

In accordance with professional guidance, Deloitte LLP change the audit partner every five years. The former partner, Calum Thomson, carried out his final audit for the Trust last year and his replacement, Andrew Partridge, has been appointed. The Board considered whether, during this period of change, this was an appropriate point to carry out a tender exercise and decided to remain with Deloitte.

The Committee will continue to review the appropriate timing of a future tender.

The Company confirms its compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year to 31 December 2016.

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.

Audit and Risk Committee continued

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Going Concern Statement

The Group's business activities are set out on page 5 with the principal risks which could impact on performance set out on pages 22 and 23. The Group's financial position and cash flows are set out on pages 54 to 58 along with an analysis of its borrowings in Note 15 on page 75. As regards Going Concern the Directors have considered both liquidity and solvency risks.

Liquidity is concerned with our ability to liquidate assets or access new sources of short-term funds in the time needed to meet our liabilities as they fall due. The majority of the Group's assets are in listed securities on recognised stock exchanges which are readily realisable even in volatile markets. At 31 December 2016 we also had £330m of unused committed funding lines.

Solvency is concerned with our ability to meet our liabilities in full. This involves managing our capital by maintaining a business model which is capable of delivering over time a continuing economic return to our shareholders whilst absorbing the impact of any risks which crystallise. As at 31 December 2016 the Group's total net assets were £3.3bn. Our investment policy restricts gearing to 30% of net assets at any given time (6% at 31 December 2016).

Given that most of the likely liquidity requirements such as loan payments and dividends are timetabled and as such readily foreseeable, while others such as share buybacks are subject to the Company's discretion, the Directors are satisfied that unexpected liquidity and solvency needs are not significant relative to the size of the Company's portfolio and that they could be readily met without compromising normal portfolio management practice.

Sensitivities to market, credit, liquidity and gearing risk are set out in Note 23 on pages 79 to 83.

The Directors, who have reviewed projections and sensitivities for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for at least 12 months from the date of these Accounts. Accordingly the Directors believe that it is appropriate to continue to adopt the Going Concern basis for preparing the financial statements.

Viability Statement

The Directors have assessed the viability of the Company and Group over a longer period than the 12 months required by the Going Concern statement. The Board concluded an appropriate period to be five years, a period which aligns with our long-term planning horizon. This assessment has been made taking account of the current position of the Group, corporate planning process and the Group's principal risks, both current and medium and long-term, as detailed in the Strategic Report on pages 22 and 23.

The corporate planning process includes our budget, strategy cycle and consolidated Group Internal Capital Adequacy Assessment Process ("ICAAP").

The strategy provides long-term direction and is reviewed on, at least, an annual basis, including five year forecasts showing expected financial impact. The resilience of the strategy is further tested in a series of severe but plausible downside financial scenarios as part of the annual review of the ICAAP. The ICAAP, covering a five year period, is prepared to identify and quantify the Group's risks and level of capital which should be held to cover those risks. As part of the assessment the Board has also considered the sustainability of the Company's dividend and it believes that our progressive dividend policy is also sustainable over the same time frame.

The ICAAP includes a risk assessment carried out to identify the principal risks that may adversely impact the Group. These include Market and Prudential, Operational, Strategic and Regulatory and Conduct Risks. An internal Risk Control Self-Assessment (RCSA) and modelling approaches are used to quantify these risks, which ensure that the Group holds sufficient regulatory capital to mitigate the impact of these risks. Alongside the corporate planning and scenario tests, the supporting risk management framework and controls have various regular early warning indicator and risk outlook signposts (trends) and triggers (events) alert the Board to the potential advent of a scenario.

This approach ensures a link to our business model and strategy and allows a robust identification and assessment of the principal risks, and mitigating actions, for the Group.

The Directors have therefore concluded, based on the extent of the corporate planning process, its strong financial position and long term investment horizon and financing, that there is a reasonable expectation that the Company and the Group have adequate resources and will continue to operate and meet its liabilities as they fall due over the period of their assessment and for the foreseeable future, taken to mean until at least 2022.

Remuneration Committee

"Set out here is the Directors' Remuneration Report for the year ended 31 December 2016. The Report includes our current Remuneration Policy, which was approved at the Annual General Meeting in 2016, and gives details of how this Policy has been implemented during the year. It also includes details of contractual payments made to former Executive Directors."

Anthony Brooke
Chairman, Remuneration Committee

Remuneration Policy approved on 6 May 2016

The Board's Remuneration Policy is designed to ensure that the remuneration of Directors is set at a reasonable level commensurate with the duties and responsibilities of each Director and the time commitment required to carry out their roles effectively. Remuneration will be such that the Company is able to attract and retain Directors of appropriate experience and quality. The fees paid to Directors will reflect the experience of the Board as a whole, will be fair, and will take account of the responsibilities attaching to each role given the nature of the Company's interests, as well as the level of fees paid by comparable investment trusts. Secretarial assistance will be provided to the Chairman to assist in the execution of his duties. Additional payments may be made to Directors for time expended over and above that envisaged on appointment and for serving on or chairing Committees or for service as directors of subsidiary boards, or other additional responsibilities. The level of such fees and payments will be subject to periodic review. Directors will be reimbursed for travel and subsistence expenses incurred in attending meetings or in carrying out any other duties incumbent upon them as Directors of the Company. In the event that any such payments are regarded as taxable, Directors may receive additional payments to ensure that they suffer no net cost in carrying out their duties. The level of Directors' fees paid will not exceed the limit set out in the Company's Articles of Association.

The Committee also reserves the right to make payments outside the Policy in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company, and when it would be disproportionate to seek specific approval from a General Meeting. Any such payments would be fully disclosed on a timely basis.

The full text of the previous policy can be found on our website.

Consideration of Shareholder Views

We regularly engage with our shareholders on all aspects of performance and governance. Due to the level of Director activity this year we have not sought the views of our principal shareholders on remuneration issues. However, any comments received will be considered. This Report will be subject to approval at the Annual General Meeting and we welcome the opportunity to discuss matters of remuneration with our shareholders at that meeting.

Non-Executive Directors' Contracts

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

Non-Executive Directors' Fees

In 2017 annual fees will be:

Chairman*	**£120,000**
Deputy Chairman	**£80,000**
Basic Non-Executive Director Fee and payable to each Director (other than the Chairman)	**£35,000**
Committee Membership**	**£6,000**
Chairman of Audit and Risk Committee***	**£8,000**
Chairman of Remuneration Committee***	**£4,500**
Senior Independent Director	**£5,000**
Subsidiary Board Director's Fee^	**£35,000**

* Inclusive of membership of all Board Committees

** All Directors are members of all Board Committees and this is a composite fee for all Board Committees

*** This fee is additional to the Committee membership fee

^ Payable to Chris Samuel in respect of his appointment to Alliance Trust Investments and to Gregor Stewart in respect of his appointment to Alliance Trust Savings

The Remuneration Committee comprises all of the members of the Board other than the Chairman.

The Committee reviewed the fees paid to Directors this year and agreed that they should remain unchanged. The Committee did, however, agree to make a one off payment of £30,000 to Karl Sternberg to reflect the time spent over and above what could reasonably have been expected on the proposed investment manager changes and other aspects of the Strategic Review. In addition to the fees received from Alliance Trust PLC where a Non-Executive Director also sits on the Board of a subsidiary company the Director is also paid a fee for that role, the level of fee is set by the subsidiary company. The Chairman's statement on Corporate Governance refers to a review of the Committee structure which will take place in 2017. The Remuneration Committee will also review in 2017 the fee structure for Directors.

In 2016 annual fees were:

Chairman	**£120,000**
Deputy Chairman*	**£80,000**
Basic Non-Executive Director Fee	**£35,000**
Chairman of Audit and Risk Committee*	**£11,000**
Chairman of Remuneration Committee	**£7,500**
Chairman of Audit Committee**	**£11,000**
Chairman of Board Risk Committee***	**£7,500**
Chairman of Management Engagement Committee	**Nil**
Chairman of any other Committee	**Nil**
Senior Independent Director	**£5,000**
Membership of Audit and Risk Committee*	**£3,000**
Membership of Remuneration Committee	**£3,000**
Membership of Audit Committee**	**£3,000**
Membership of Board Risk Committee***	**£3,000**
Membership of Management Engagement Committee	**Nil**
Membership of any other Committee	**Nil**
Subsidiary Board Director's Fee	**£35,000**

* From 4 February 2016

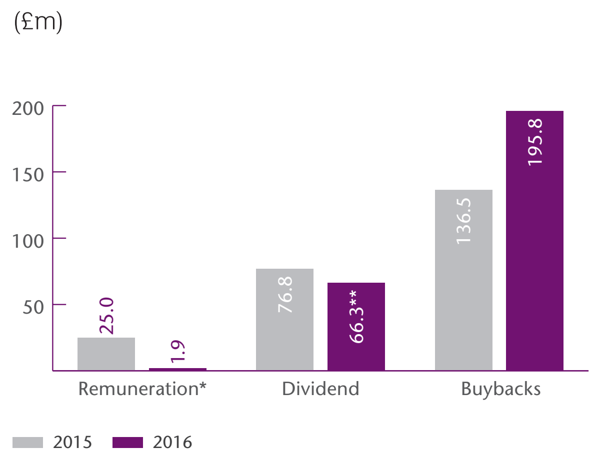
** Audit Committee until 4 February 2016

*** To 4 February 2016

Implementation Report – Current Remuneration

Relative importance of spend on pay

The chart below shows, in respect of this and the preceding financial year, the actual expenditure of the Company on remuneration and distributions to shareholders by way of dividend and share buybacks. Last year we provided details of remuneration paid to Group (Alliance Trust PLC and Alliance Trust Services Limited) employees including directors. In 2016 there were no Group employees and accordingly the remuneration figure for 2016 only includes payments made to Directors and former Directors.



*This includes payments made to the former Chief Executive Officer, former Chief Financial Officer and the Directors. The single figure of remuneration for Alan Trotter for 2016 was £198,000. Remuneration prior to 2016 also included payments made to other employees in the Group.

**This includes dividends paid in the year and does not include the value of the third interim dividend for 2016 which was paid on 3 January 2017.

Directors Shareholdings (audited)

All Directors are required to hold 3,000 shares in the Company. Details of the shareholdings of all Directors and their connected persons, together with details of shares acquired, are shown below. None of these shares are subject to performance conditions. The Company has issued no options to subscribe for shares.

For most of 2016, as a result of their involvement in the Strategic Review, the Directors were unable to add to their holdings.

Directors' shareholdings	As at 1 Jan 2016 or date of appointment if later	As at 31 Dec 2016 or date of leaving if earlier	Acquired between 31 Dec 2016 – 28 Feb 2017
Lord Smith	nil	18,000	nil
Anthony Brooke	3,000	3,000	nil
Clare Dobie	nil	3,030	nil
Karin Forseke	108,576	108,576	–
Katherine Garrett-Cox**	446,975	450,158	–
John Hylands***	86,567	87,771	–
Alistair Kerr*	8,875	8,875	–
Rory Macnamara	3,000	3,030	–
Susan Noble**	15,392	15,512	–
Chris Samuel	5,000	5,096	48
Karl Sternberg	3,000	3,041	37
Gregor Stewart	24,758	24,843	84

*Resigned 1 January 2016
**Resigned 3 February 2016
***Resigned 6 May 2016
†Rory Macnamara passed away on 17 December 2016

Single total figure of remuneration (audited)

£000	2016			2015		
Non-Executive Director*	Company Fees	Fees for Subsidiary Company appointment	Total	Company Fees	Fees for Subsidiary Company appointment	Total
Lord Smith	109	–	109	–	–	–
Anthony Brooke	46	–	46	23	–	23
Clare Dobie	25	–	25	–	–	–
John Hylands	18	29	47	51	–	51
Rory Macnamara	41	–	41	23	–	23
Susan Noble**	5	7	12	48	–	48
Chris Samuel	41	35	76	10	–	10
Karl Sternberg	76	–	76	10	–	10
Gregor Stewart	106***	29	135	59***	–	59

*Karin Forseke and Alistair Kerr both resigned as Directors on 1 January 2016. They received no payments in 2016.
**The fees shown represent only those paid for the period that Susan Noble was a Non-Executive Director of Alliance Trust PLC.
***Includes payment for part of year as Interim Chairman to cover the period of transition between the Board Meeting held in November 2015 and Lord Smith's appointment in February 2016.

Advisors

The Remuneration Committee received no independent advice in respect of remuneration during the year.

Performance graph

The graph below shows the Total Shareholder Return (TSR) for holders of Alliance Trust PLC Ordinary Shares, measured against the MSCI All Country World Index rebased to 100 at 31 January 2009. The Company believes that this is the most appropriate index as it represents the performance of listed equities across a range of global markets. The Company's equity portfolio is global in nature and at the year end comprised 93% of the Net Asset Value.

†11 months 31 January to 31 December 2011.

Chief Executive Officer's remuneration

The table below shows the remuneration for the Director undertaking the role of Chief Executive Officer during each of the last eight financial periods. The Company ceased to have Executive Directors on 3 February 2016 when Katherine Garrett-Cox left the Board. Katherine-Garrett-Cox was still entitled to receive payments due under her contract during 2016.

	31 Jan 2010	31 Jan 2011†	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016
Single figure of remuneration	£692,484	£700,232	£1,037,175	£1,800,326	£1,378,444	£1,342,859	£1,376,076	£1,213,577
Annual bonus (as percentage of maximum opportunity)	58.4%	50.0%	90.3%	81.5%	57.5%	85%	60.7%	nil
LTIP vesting (as percentage of maximum opportunity)	0%	0%	0%	51.7%	33.9%	12.5%	27.1%	38.9%

†11 months 31 January to 31 December 2011.

The Company no longer has a Chief Executive Officer and all payments made in 2016 reflected those required to be made under her contract. The total remuneration paid to the Chief Executive Officer was 11% less in 2016 than it was in the previous year. As there were no employees within the Group (Alliance Trust PLC and Alliance Trust Services Limited) during 2016 there is no comparator for any increase in remuneration for employees.

Voting at Annual General Meeting

At the Annual General Meeting held on 6 May 2016, votes cast by proxy and at the meeting in respect of Directors' remuneration policy and report were as follows

Resolution	Votes for	%	Votes Against	%	Total votes cast	Votes withheld (abstentions)
Directors' remuneration report (excluding remuneration policy)	180,793,307	97.44	4,752,612	2.56	185,545,919	1,800,624
Approval of Remuneration Policy	182,111,330	98.29	3,164,092	1.71	185,275,422	2,039,521

Implementation Report – Historic Remuneration

The information in this part of the Implementation Report details the payments made in 2016 to Katherine-Garrett-Cox, the former Chief Executive Officer who left the Board on 3 February 2016, and also to Alan Trotter the former Chief Financial Officer who left on 30 September 2015.

Executive Directors' Service Contracts

The Executive Directors had service contracts which could be terminated on twelve months' notice from the Company or six months' notice from the Director. Service contracts did not contain a default normal retirement age.

Share-based entitlements granted to an Executive Director under the Group's share plans are based on the relevant plan rules. The default position was that any outstanding awards lapsed on cessation of employment. However, in certain prescribed circumstances, such as death, injury or disability, redundancy, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status could be applied. There have been no accelerated payments. Awards are normally pro-rated for length of service.

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

Contracts contained specific mitigation provisions should they be terminated. These mitigation provisions are structured to provide monthly payments during the notice period against which any income received during the period is offset. The monthly payment is based on the then current salary, pension allowance and benefits. A Director's service contract could be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Payments to Former Directors

In last year's Implementation Report we detailed the payments to which both Katherine-Garrett-Cox and Alan Trotter were entitled and here we report on the payments actually made to them during 2016. All of these payments were within the terms of the Company's Remuneration Policy which had been approved by shareholders on 1 May 2014. Details of this can be found on our website. No discretionary payments were made to either of the former Directors in 2016 and all payments made were in accordance with those detailed in the 2015 Remuneration Implementation Report.

Katherine Garrett-Cox

Payment	
Redundancy	£5,225
Compensation payment for any claim	£78,335
Bonus in respect of year ending 31 December 2015	£410,000
Bonus in respect of year ending 31 December 2016	Nil
Salary and payments in respect of pension during notice period	£532,158
Payment in lieu of contractual benefits	£9,007
LTIP awards made in 2016	None
Value of LTIP awards vested in 2016	£379,079
Value of LTIP awards vesting in 2017*	£587,352
AESOP award	£1,500

Alan Trotter

Payment	
Redundancy	£3,563
Compensation payment for any claim	£66,437
Bonus in respect of year ending 31 December 2015	£110,000
Bonus in respect of year ending 31 December 2016	Nil
Salary and payments in respect of pension during notice period	£125,840
Contractual Benefits	£872
LTIP awards made in 2016	None
Value of LTIP awards vested in 2016	£198,380
Value of LTIP awards vesting in 2017*	£234,262
AESOP award	£1,500

*based on a share price of £5.943 being the average share price in the last quarter of 2016.

Single total figure of remuneration (audited)

£000	2016						2015					
Non-Executive Director	Salary	Taxable Benefits**	Annual Bonus†	Long Term Awards^	Pension***	Total	Salary	Taxable Benefits**	Annual Bonus†	Long Term Awards	Pension***	Total
Katherine Garrett-Cox	425#	93	2	587	106	1,213	450	23	412	379*	112	1,376

*incorrectly reported in 2015 Accounts as £438,000.
**includes redundancy, compensation payments, payment in lieu of contractual benefits as well as accommodation allowance, medical and life assurance
***this is a cash payment instead of a pension contribution
†includes AESOP award (£1,500)
^based on a share price of £5.943 being the average share price in the last quarter of 2016
#under the terms of the agreement reached with Katherine Garrett-Cox a full payment of salary was not made for the month of March 2016

Long-Term Incentive Plans

No awards were made under the LTIPs in respect of the financial years ended 31 December 2015 and 31 December 2016 and no further awards will be made. Awards made in prior years will still be paid subject to the rules of the Plan and to the achievement of performance targets.

The table below shows the payout for the awards which were made in 2014 and will vest in 2017, based on the three year performance period ending 31 December 2016. An additional holding period of two years has been applied to these awards. This applies to both shares purchased from the deferred bonus and those vesting after the end of the three year performance period.

Peer Group^ Ranking out of 22			%
TSR Rank*	8	TSR payout	77.82
NAV Rank*	12	NAV payout	0.00
		Combined payout	38.91

^ The Peer Group can be found on our website www.alliancetrust.co.uk
*Calculated using the average of the Company's NAV in respect of weekdays (excluding Saturdays and Sundays) falling during the 30 day period ending on the day before the start and end of the Performance Period. This has been calculated using data as at 26 January 2017, provided by Factset.

Details of the awards made to the Executive Directors can be found on the next page. As both Katherine Garrett-Cox and Alan Trotter were made redundant, their existing awards under the LTIP did not lapse on cessation of employment but will vest subject to reduction/pro rating as set out under the Plan's rules. The rules of the LTIP provide that the number of shares that will vest will be proportionate to the number of days within the three year performance period that the individual was an eligible employee; in the case of Katherine Garrett-Cox this was until 11 March 2016 and in the case of Alan Trotter until 3 June 2016.

An error was made in the calculation of LTIP vesting as reported in the 2015 Annual Report. This was identified and corrected before any payments were made so no one received more than they were due. The error was the inclusion of one Investment Trust (Hansa) which was not in the peer group for the whole of the three year period (moving into the peer group in April 2014). This meant that calculations of the payments were based on a group of 35 rather than 34 Trusts. This led to a higher proportion of the award vesting (65.02% rather than the 54.14% that was actually due). Our ranking was 15th under both calculations. This meant a reduction in the value of the LTIP award as reported in the 2015 Accounts from £438,000 to £379,000 for Katherine Garrett-Cox and from £229,000 to £198,000 for Alan Trotter. This error had not been not identified by our managers when they prepared the calculation and was not identified by our Auditors in the course of their audit. We commissioned an external review of the process to prevent a recurrence. The LTIP awards reported this year have been subject to significant additional scrutiny.

All Employee Share Ownership Plan

Executive Directors also participated in the Company's All Employee Share Ownership Plan (AESOP). The award made in 2016 for the previous financial year was for shares to the values of £1,500. This award was made to all full time participants in the AESOP.

Summary of 2014 Policy: Long-Term Incentive Plans

There were two categories of awards that Executive Directors could receive. These were:

Matching Awards: these entitled the participant to receive shares at nil cost with the number of shares being calculated with reference to the amount of the individual's deferred annual bonus which was used to purchase shares in the Company and which were deposited in the plan. The maximum that could be received was twice the number of shares that could be purchased with the gross value of the annual bonus.

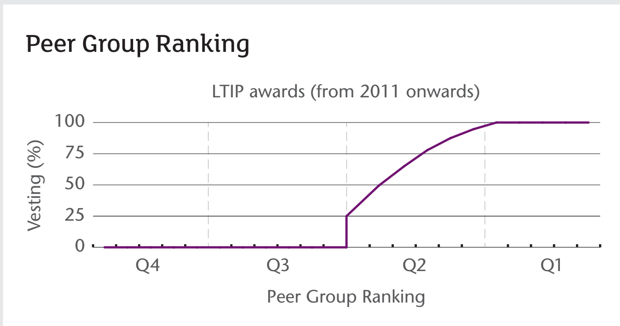
Performance Awards: these were based on a multiple of salary. The maximum number of shares which could be awarded was calculated on twice the annual salary of the participant at the date of the award.

Both awards are based on a combination of two separate performance measures – one relating to growth in NAV and another to TSR – over three consecutive financial years and then compared to a comparator group comprising global investment trusts (these can be found on the Company website).

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

The Committee can make minor changes to the performance conditions. Any significant changes would require shareholder approval.

Vesting between median and top quartile is based on a vesting curve. A vesting curve was chosen to align the interests of LTIP participants to those of shareholders reflecting the belief that consistent median to top quartile performance would, over time, lead to top quartile performance without incentivising excessive risk taking.



Implementation Report – Historic Remuneration continued

Long-Term Incentive Plan Awards (audited)

This table provides detail of awards made to the former Executive Directors under the Long-Term Incentive Plan in the year ended 31 December 2016 and earlier years. All awards are subject to performance conditions as described on the preceding page. If the minimum performance condition is met 12.5% of the awards detailed in the table below will vest. No awards were made in 2016.

Katherine Garrett-Cox

Scheme and year of award	At 1 Jan 2016	Awards granted in year	Awards vested in year	Awards lapsed in year	At 31 Dec 2016	Market price of share on date of award	Vesting date
LTIP 6 May 2015 (Matching Award)	223,471	–	–	–	223,471	£5.07	6 May 2020
LTIP 6 May 2015 (Performance Award)	177,514	–	–	–	177,514	£5.07	6 May 2020
LTIP 11 April 2014 (Matching Award)	160,086	–	45,524* (will vest)	–	160,086	£4.537	11 April 2017
LTIP 11 April 2014 (Performance Award)	187,458	–	53,307* (will vest)	–	187,458	£4.537	11 April 2017
LTIP 16 April 2013 (Matching Award)	75,273	–	20,376	54,897	–	£4.336	16 April 2016
LTIP 16 April 2013 (Performance Award)	196,148	–	53,097	143,051	–	£4.336	16 April 2016

*The number of shares that will vest has been reduced to reflect the fact that the former Director was not an eligible employee for the whole of the three year performance period.

Alan Trotter

Scheme and year of award	At 1 Jan 2016	Awards granted in year	Awards vested in year	Awards lapsed in year	At 31 Dec 2016	Market price of share on date of award	Vesting date
LTIP 6 May 2015 (Matching Award)	42,475	–	–	–	42,475	£5.07	6 May 2020
LTIP 6 May 2015 (Performance Award)	96,646	–	–	–	96,646	£5.07	6 May 2020
LTIP 11 April 2014 (Matching Award)	26,275	–	8,255* (will vest)	–	26,275	£4.537	11 April 2017
LTIP 11 April 2014 (Performance Award)	99,184	–	31,163* (will vest)	–	99,184	£4.537	11 April 2017
LTIP 16 April 2013 (Matching Award)	38,256	–	10,356	27,900	–	£4.336	16 April 2016
LTIP 16 April 2013 (Performance Award)	103,782	–	28,094	75,688	–	£4.336	16 April 2016

*The number of shares that will vest has been reduced to reflect the fact that the former Director was not an eligible employee for the whole of the three year performance period.

Approval

The Remuneration Report comprising pages 38 to 44 and the Implementation Report, comprising pages 40 to 44, have been approved by the Board and signed on its behalf by

Anthony Brooke
Chairman, Remuneration Committee
23 March 2017

Other Governance

Re-election of Directors

Details of the current Directors can be found on pages 26 and 27. Clare Dobie was appointed during the year and her appointment falls to be confirmed by shareholders at the Annual General Meeting.

The Board has decided that all of the Directors will be subject to re-election every year.

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

Directors in 2016

Name	Designation	Appointed
Lord Smith	Chairman	3/2/16
Anthony Brooke	Non-Executive Director	24/6/15
Clare Dobie	Non-Executive Director	26/5/16
Karin Forseke*	Chairman	1/3/12
Katherine Garrett-Cox**	Chief Executive Officer	1/5/07
John Hylands***	Non-Executive Director	22/2/08
Alastair Kerr*	Non-Executive Director	1/10/12
Rory Macnamara†	Non-Executive Director	24/6/15
Susan Noble**	Non-Executive Director	11/7/12
Chris Samuel	Non-Executive Director	23/9/15
Karl Sternberg	Non-Executive Director	23/9/15
Gregor Stewart	Non-Executive Director	1/12/14

*Resigned 1 January 2016
**Resigned 3 February 2016
***Resigned 6 May 2016
†Rory Macnamara passed away on 17 December 2016

Major shareholders

As at 21 March 2017 the Company had received the following notification from shareholders holding an interest in more than 3% of the voting rights of the ordinary shares in issue of the Company:

Shareholder	Nature of interest	Number of shares
DC Thomson & Company Limited	Shares	16,000,000 (4%)

The largest shareholder in the Company is the nominee company for Alliance Trust Savings which holds its shares on behalf of over 21,000 customers.

Alliance Trust Savings Nominees Limited	121,164,239 (33%)

Other Governance
continued

Board and Committee attendances

In addition to the scheduled Board and Committee meetings below, all or some of the Directors met on over 20 occasions to consider matters arising between the scheduled meetings and to progress the Strategic Review. As reported on page 31, the Board undertook the work of the Management Engagement Committee during the year so no separate Management Engagement Committee meetings took place.

Meeting attendances	Board		Audit and Risk		Remuneration		Nomination	
Director	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Lord Smith	6	6	-	-	-	-	2	2
Anthony Brooke	6	6	5	5	2	2	2	2
Clare Dobie	3	3	2	2	1	1	0	0
Katherine Garrett-Cox*	0	0	-	-	-	-	-	-
John Hylands*	3	3	3	3	1	1	1	1
Rory Macnamara	4	6	3	5	1	2	1	2
Susan Noble**	0	0	0	0	0	0	0	0
Chris Samuel	6	6	4	4	2	2	2	2
Karl Sternberg	6	6	4	4	2	2	2	2
Gregor Stewart	6	6	5	5	2	2	2	2

*Resigned 6 May 2016
**Resigned 3 February 2016

Directors' and Officers' indemnification

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

Access to advice

All Directors have access to independent professional advice if necessary.

Relationship with shareholders

All Directors normally attend the AGM where they have the opportunity to meet shareholders. Meetings also take place throughout the year with major and institutional shareholders.

Investment Trust Status

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

Alternative Investment Fund Managers Directive

Until 3 February 2016 the Company was approved by the Financial Conduct Authority as a manager under the Directive. Since that date the manager has been Alliance Trust Investments Limited. It is intended that upon completion of the sale of Alliance Trust Investments that Towers Watson Investment Management (Ireland) Limited will be appointed manager.

The Company has appointed National Westminster Bank PLC as its Depositary under the Directive for the purpose of strengthening the arrangements for the safe custody of assets. Regulatory disclosures, including the Company's Investor Disclosure Document, are provided on the Company's website at www.alliancetrust.co.uk. Disclosures on Remuneration as required under the AIFMD can also be found on our website.

Investment Management Agreement

Under the terms of the proposed Management Agreement with Towers Watson Investment Management (Ireland) Limited ('the AIFM'), the AIFM will be entitled to a management fee together with reimbursement of reasonable expenses incurred. The fee equates to the sum of (i) £1.5m per annum (increasing in line with UK Consumer Prices Index ('CPI') each year) plus 0.055% per annum of the market capitalisation of the Company after deduction of (a) the value of non-core assets, (b) the value of the Company's subsidiaries; (ii) such fees as are agreed from time to time by the Company in respect of third party managers; and (iii) fees paid to the managers/administrators of non-core assets.

The AIFM will also receive a fixed administration fee in respect of the provision of certain underlying administration services which is capped at £0.92m per annum (increasing in line with the CPI). The Management Agreement may be terminated by either party on not less than six months' notice or, if terminated by the Company earlier, upon the payment of compensation. The Management Agreement may also be terminated earlier by either party with immediate effect and without compensation on the occurrence of certain events. On termination the AIFM is entitled to receive its fees pro rata to the date of termination.

Under the investment management agreement with Alliance Trust Investments (ATI) they were entitled to receive a fee for its services equal to 0.35% of the Company's adjusted net asset value (excluding holdings in ATI managed funds and the fair value of ATS and ATI). The agreement could also be terminated by either ATI or the Company giving to the other not less than six months' written notice.

Director development

Every new director receives an individually tailored induction. The Board as a whole received updates on Market Abuse Regulations and other relevant topics.

Share capital and waiver of dividends

The Company's issued share capital as at 31 December 2016 comprised 492,703,932 Ordinary 2.5p shares of which 698,062 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. The Trustee holds a further 226,161 shares deposited by recipients of awards under the LTIP. Each Ordinary share of the Company is entitled to one vote but the Trustee does not vote in respect of the shares held by it on behalf of the Company.

In the course of the year the Company acquired and cancelled 37,056,046 shares for £195m.

There are no preference shares or shares held in treasury.

Agreement in respect of voting rights

There are no agreements in respect of voting rights.

Share buyback authority

At the last Annual General Meeting the shareholders renewed the authority for them repurchase of up to 14.99% of the issued shares and also authorised that shares repurchased may be held in treasury. These authorities fall to be renewed at the next Annual General Meeting. The Company made use of this provision during the course of the year as detailed above. The Company will seek the renewal of these authorities at the Annual General Meeting. The Company also received authority from the shareholders at the General Meeting on 28 February 2017 to repurchase up to a further 5% of the shares in issue on that date. This authority will lapse at the AGM in April 2017.

Conflicts of interest

The Directors have previously provided details of all interests which potentially could cause a conflict of interest to arise. The unconflicted Directors in each case noted the declarations by the Directors of their other interests and confirmed that at that time none of the interests disclosed were reasonably likely to give rise to a conflict. An annual review of all interests was undertaken as part of the year end process and this was considered by the Board in February 2017. Procedures are in place to allow Directors to request authority should it be required outwith the normal Board meeting schedule.

Annual General Meeting

In addition to formal business, there will be the opportunity for questions to be put to the Directors. This year, in addition to the normal business there will be proposals to:

- renew the share buyback authority and requesting the power to hold shares purchased under that authority to be held in Treasury or cancelled with power to reintroduce any shares held in Treasury to the market but not at a discount to net asset value; and
- confirm the notice period for convening general meetings other than Annual General Meeting.

At the meeting we hope that shareholders will have the opportunity to meet with some of our new equity managers.

Greenhouse gas (GHG) emissions

Our mandatory disclosure of total GHG emissions data for the year ended 31 December 2016 can be found on page 25. We report there on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

Our carbon footprint has been calculated based on the Defra Environmental Reporting Guidelines (including mandatory greenhouse gas emissions reporting guidance). We have adopted an operational control approach. The emissions reported on page 25 have been verified by Carbon Footprint Limited.

Report of Directors and Responsibility Statement

The Report of the Directors, including the Directors' responsibility statement, on pages 28 to 36, the going concern statement on page 37 and pages 45 to 47 of the Annual Report and Accounts has been approved by the Board.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic 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 that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Lord Smith of Kelvin
Chairman
23 March 2017

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

Opinion on financial statements of Alliance Trust PLC

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's and the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise the Group and Company:

- income statements;
- statements of comprehensive income;
- statements of changes in equity;
- balance sheets;
- cash flow statement; and
- related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • valuation and ownership of listed investments; and • valuation of unlisted investments. All risks within this report are in line with prior year.
Materiality	The materiality that we used in the current year was £32.8m which was determined on the basis of 1% of net asset value.
Significant changes in our approach	There have been no significant changes to our audit approach since the prior year.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the Directors Report on page 37.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 37 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 22 to 23 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties.

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

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk Title	Risk Description	How the scope of our audit responded to the risk	Key observations
Valuation and ownership of listed investments	Listed investments represent the most significant number on the balance sheet and are the main driver of the Group's performance. Listed investments £3,257m (2015: £3,089m) represented 92% of total assets of the Group at 31 December 2016 (2015: 87%) (see notes 9 and 23). There is a risk that the prices quoted in respect of the listed investments held by the Group may not be reflective of fair value. There is a risk over the recording and custody of listed investments and whether listed investments recorded are the property of the Group.	We assessed the design and implementation controls over valuation and existence of listed investments. We reviewed Controls Reports relating to Custody and Investment Accounting provided by Bank of New York Mellon. We confirmed 100% of the portfolio of listed investments to confirmations received directly from the custodian and depositary. We confirmed 100% of the valuation of the listed investments to independent pricing sources.	No misstatements were identified which required reporting to those charged with governance in regards to the valuation of the listed investments. We did not identify any differences when agreeing the Group's investment portfolio to the confirmation received directly from the custodian and depositary.

Independent Auditor's Report to the members of Alliance Trust PLC continued

Risk Title	Risk Description	How the scope of our audit responded to the risk	Key observations
Valuation of unlisted investments	Unlisted investments of £217m (2015: £221m) are valued at the Directors' best estimate of fair value using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association and, where relevant the use of external valuers and may take account of recent arm's length transactions. (see Audit and Risk Committee report on page 33 and notes 9 and 23) There are key inputs to the valuation calculations which reflect the Directors, external valuers and Investment Manager's judgement (see note 23.8). There is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate assumptions could result in the valuation of unlisted investments being materially misstated.	We assessed the design and implementation of controls around the valuation of unlisted investments. In addition we tailored our substantive testing to reflect the different categories of unlisted investments held in the portfolio (see note 23). **Subsidiaries** We reviewed and challenged management's and external valuations for a sample of unlisted investments, focusing on the appropriateness of the valuation methodology and assumptions used within the calculations (e.g. cash flow projections; growth projections; discount rate used). We also considered how recent developments and actual performance are reflected in the future projections. As part of our testing we liaised with our internal valuation experts. **Unlisted Equities** We obtained valuation papers for the unlisted investments and reviewed the minutes of the Valuation Committee. We considered and challenged whether the assumptions made by the Manager were reasonable and confirmed that the unlisted investments had been valued on a consistent basis.	No misstatements were identified which required reporting to those charged with governance in regards to the valuation of the unlisted investments.

Our application of materiality

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

We determined materiality for the Group to be £32.8m (2015: £29.5m), which is 1% (2015: 1%) of net assets. Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £657,000 (2015: £589,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

There were no changes to the scope of our audit since the prior year. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Our Group audit scope included the audit of all subsidiaries and these were subject to a full scope audit for the year ended 31 December 2016 and was performed directly by the audit engagement team Audits were performed for local statutory purposes at a local materiality level calculated by reference to the scale of the business concerned.

As part of our audit we assessed the controls in place at Alliance Trust Investments Limited ("the Manager") who prepares the financial statements of the Group.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from these matters.

Our duty to read other information in the Annual Report

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Group'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.

Independent Auditor’s Report to the members of Alliance Trust PLC continued

Scope of the audit of the financial statements

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

Andrew Partridge (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Edinburgh, United Kingdom
23 March 2017

Financial Statements

Consolidated income statement for the year ended 31 December 2016

		Year to December 2016			Year to December 2015		
£000	**Note**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital***	**Total**
Income	3	**84,788**	**-**	**84,788**	114,386	-	114,386
Profit on fair value designated investments	9	**-**	**593,997**	**593,997**	-	85,137	85,137
Profit on investment property	9	**-**	**-**	**-**	-	720	720
(Loss)/Profit on fair value of debt *		**-**	**(9,800)**	**(9,800)**	-	1,200	1,200
Total*		**84,788**	**584,197**	**668,985**	114,386	87,057	201,443
Administrative expenses	4	**(7,972)**	**(8,810)**	**(16,782)**	(44,460)	(1,585)	(46,045)
Finance costs	5	**(2,586)**	**(5,107)**	**(7,693)**	(3,972)	(5,281)	(9,253)
(Loss)/Gain on revaluation of office premises		**-**	**(40)**	**(40)**	-	175	175
Foreign exchange losses		**-**	**(2,527)**	**(2,527)**	-	(84)	(84)
Profit before tax*		**74,230**	**567,713**	**641,943**	65,954	80,282	146,236
Tax	6	**(8,367)**	**(2,248)**	**(10,615)**	(5,362)	-	(5,362)
Profit for the year*		**65,863**	**565,465**	**631,328**	60,592	80,282	140,874

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

Earnings per share attributable to equity holders of the parent							
Basic (p per share)*	8	**12.77**	**109.66**	**122.43**	11.05	14.64	25.69
Diluted (p per share)*		**12.75**	**109.50**	**122.25**	11.03	14.61	25.64

Consolidated statement of comprehensive income

	Year to December 2016			Year to December 2015		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital***	**Total**
Profit for the year*	**65,863**	**565,465**	**631,328**	60,592	80,282	140,874
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial Loss (note 25)	**-**	**(26,637)**	**(26,637)**	-	(22)	(22)
Retirement benefit obligations deferred tax	**-**	**4,478**	**4,478**	-	(96)	(96)
Other comprehensive loss	**-**	**(22,159)**	**(22,159)**	-	(118)	(118)
Total comprehensive income for the year*	**65,863**	**543,306**	**609,169**	60,592	80,164	140,756

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

* 2015 restated to reflect reporting of fixed rate loan notes at fair value - refer to note 2 (Basis of accounting) for further information.

Company income statement for the year ended 31 December 2016

		Year to December 2016			Year to December 2015		
£000	**Note**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital***	**Total**
Income	3	**84,783**	**-**	**84,783**	92,348	-	92,348
Profit on fair value designated investments	9	**-**	**591,755**	**591,755**	-	87,334	87,334
Profit on investment property	9	**-**	**-**	**-**	-	720	720
(Loss)/Profit on fair value of debt*		**-**	**(9,800)**	**(9,800)**	-	1,200	1,200
Total*		**84,783**	**581,955**	**666,738**	92,348	89,254	181,602
Administrative expenses	4	**(7,960)**	**(8,810)**	**(16,770)**	(22,835)	(1,133)	(23,968)
Finance costs	5	**(2,586)**	**(5,107)**	**(7,693)**	(3,968)	(5,281)	(9,249)
(Loss)/Gain on revaluation of office premises		**-**	**(40)**	**(40)**	-	175	175
Foreign exchange losses		**-**	**(2,527)**	**(2,527)**	-	(84)	(84)
Profit before tax*		**74,237**	**565,471**	**639,708**	65,545	82,931	148,476
Tax	6	**(8,367)**	**(2,248)**	**(10,615)**	(5,360)	-	(5,360)
Profit for the year*		**65,870**	**563,223**	**629,093**	60,185	82,931	143,116

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

Earnings per share attributable to equity holders of the parent							
Basic (p per share)*	8	**12.77**	**109.23**	**122.00**	10.97	15.12	26.09
Diluted (p per share)*		**12.76**	**109.06**	**121.82**	10.95	15.09	26.04

Company statement of comprehensive income

	Year to December 2016			Year to December 2015		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital***	**Total**
Profit for the year*	**65,870**	**563,223**	**629,093**	60,185	82,931	143,116
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial loss (note 25)	**-**	**(26,637)**	**(26,637)**	-	(22)	(22)
Retirement benefit obligations deferred tax	**-**	**4,478**	**4,478**	-	(96)	(96)
Other comprehensive loss	**-**	**(22,159)**	**(22,159)**	-	(118)	(118)
Total comprehensive income for the year*	**65,870**	**541,064**	**606,934**	60,185	82,813	142,998

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

* 2015 restated to reflect reporting of fixed rate loan notes at fair value - refer to note 2 (Basis of accounting) for further information.

Statement of changes in equity for the year ended 31 December 2016

	Group		Company	
£000	**Dec 16**	**Dec 15***	**Dec 16**	**Dec 15***
Called up share capital				
At 1 January	**13,160**	13,835	**13,160**	13,835
Own shares purchased and cancelled in the year	**(841)**	(675)	**(841)**	(675)
At 31 December	**12,319**	13,160	**12,319**	13,160
Capital reserve				
At 1 January*	**2,160,142**	2,223,715	**2,163,026**	2,223,950
Profit for the year	**565,465**	80,282	**563,223**	82,931
Defined benefit plan actuarial net loss	**(22,159)**	(118)	**(22,159)**	(118)
Own shares purchased and cancelled in the year	**(195,841)**	(136,479)	**(195,841)**	(136,479)
Share based payments	**110**	521	**110**	521
Dividends paid	**-**	(7,779)	**-**	(7,779)
At 31 December*	**2,507,717**	2,160,142	**2,508,359**	2,163,026
Merger reserve				
At 1 January and at 31 December	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve				
At 1 January	**5,838**	5,163	**5,838**	5,163
Own shares purchased and cancelled in the year	**841**	675	**841**	675
At 31 December	**6,679**	5,838	**6,679**	5,838
Revenue reserve				
At 1 January	**112,565**	120,916	**111,921**	120,679
Profit for the year	**65,863**	60,592	**65,870**	60,185
Dividends paid	**(66,329)**	(68,982)	**(66,329)**	(68,982)
Unclaimed dividends (redistributed)/returned	**(12)**	39	**(12)**	39
At 31 December	**112,087**	112,565	**111,450**	111,921
Total Equity at 1 January*	**2,937,040**	3,008,964	**2,939,280**	3,008,962
Total Equity at 31 December*	**3,284,137**	2,937,040	**3,284,142**	2,939,280

* 2015 restated to reflect reporting of fixed rate loan notes at fair value - refer to note 2 (Basis of accounting) for further information.

Balance sheet as at 31 December 2016

£000	Note	Group Dec 16	Group Dec 15*	Company Dec 16	Company Dec 15*
Non-current assets					
Investments held at fair value	9	**3,474,165**	3,307,397	**3,474,197**	3,309,671
Property, plant and equipment:					
Office premises	9	**4,500**	4,540	**4,500**	4,540
Other fixed assets	9	**24**	299	**24**	299
Intangible assets	11	**-**	917	**-**	917
Pension scheme surplus	25	**83**	6,882	**83**	6,882
Deferred tax asset	12	**72**	1,238	**72**	1,238
		3,478,844	3,321,273	**3,478,876**	3,323,547
Current assets					
Outstanding settlements and other receivables	13	**9,760**	12,125	**9,821**	9,428
Recoverable overseas tax		**2,997**	1,483	**2,997**	1,483
Cash and cash equivalents	21	**51,094**	25,153	**49,430**	16,967
		63,851	38,761	**62,248**	27,878
Total assets		**3,542,695**	3,360,034	**3,541,124**	3,351,425
Current liabilities					
Outstanding settlements and other payables	14	**(15,627)**	(17,570)	**(14,051)**	(7,818)
Tax payable	12	**(3,991)**	(3,991)	**(3,991)**	(3,991)
Bank loans	15	**(120,000)**	(290,000)	**(120,000)**	(290,000)
		(139,618)	(311,561)	**(138,042)**	(301,809)
Total assets less current liabilities		**3,403,077**	3,048,473	**3,403,082**	3,049,616
Non-current liabilities					
Unsecured fixed rate loan notes*	15	**(118,800)**	(109,000)	**(118,800)**	(109,000)
Deferred tax liability	12	**(72)**	(1,238)	**(72)**	(1,238)
Amounts payable under long term Investment Incentive Plan		**(68)**	(1,195)	**(68)**	(98)
		(118,940)	(111,433)	**(118,940)**	(110,336)
Net assets*		**3,284,137**	2,937,040	**3,284,142**	2,939,280
Equity					
Share capital	16	**12,319**	13,160	**12,319**	13,160
Capital reserve*	17	**2,507,717**	2,160,142	**2,508,359**	2,163,026
Merger reserve	17	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve	17	**6,679**	5,838	**6,679**	5,838
Revenue reserve	17	**112,087**	112,565	**111,450**	111,921
Total Equity*		**3,284,137**	2,937,040	**3,284,142**	2,939,280

All net assets are attributable to equity holders of the parent

* 2015 restated to reflect reporting of fixed rate loan notes at fair value - refer to note 2 (Basis of accounting) for further information.

Net Asset Value per ordinary share attributable to equity holders of the parent	Group Dec 16	Group Dec 15*	Company Dec 16	Company Dec 15*
Basic (£)*	**£6.67**	£5.59	**£6.67**	£5.59
Diluted (£)*	**£6.67**	£5.58	**£6.67**	£5.58

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2017.

They were signed on its behalf by:

Lord Smith of Kelvin
Chairman

Cash flow statement for the year ended 31 December 2016

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Cash flows from operating activities				
Profit before tax	**641,943**	146,236	**639,708**	148,476
Adjustments for:				
Gains on investments	**(593,997)**	(85,857)	**(591,755)**	(88,054)
Losses/(Gains) on fair value of debt	**9,800**	(1,200)	**9,800**	(1,200)
Foreign exchange losses	**2,527**	84	**2,527**	84
Depreciation	**57**	193	**57**	193
Disposals and transfers of fixed assets	**(174)**	-	**(174)**	-
Amortisation of intangibles	**-**	329	**-**	329
Loss/(Gain) on revaluation of office premises	**40**	(175)	**40**	(175)
Share based payment expense	**110**	521	**110**	521
Finance costs	**7,693**	9,253	**7,693**	9,249
Movement in pension scheme surplus	**(15,360)**	(1,707)	**(15,360)**	(1,707)
Operating cash flows before movements in working capital	**52,639**	67,677	**52,646**	67,716
Decrease/(increase) in receivables	**2,366**	3,367	**(392)**	7,585
(Decrease)/Increase in payables	**(3,311)**	10,067	**5,962**	1,037
Net cash flow from operating activities before income taxes	**51,694**	81,111	**58,216**	76,338
Taxes paid	**(12,129)**	(5,948)	**(12,129)**	(5,948)
Net cash inflow from operating activities	**39,565**	75,163	**46,087**	70,390
Cash flows from investing activities				
Proceeds on disposal at fair value of investments through profit and loss	**1,481,435**	1,325,859	**1,481,435**	1,325,859
Purchases of fair value through profit and loss investments	**(1,054,086)**	(1,206,841)	**(1,054,086)**	(1,206,841)
Purchase of plant and equipment	**(6)**	(25)	**(6)**	(25)
Proceeds on transfer/(purchases) of other intangible assets to Group companies	**917**	(214)	**917**	(214)
Proceeds on transfer of property, plant and equipment to Group companies	**395**	-	**395**	-
Net cash inflow from investing activities	**428,655**	118,779	**428,655**	118,779
Cash flows from financing activities				
Dividends paid - Equity	**(66,329)**	(76,761)	**(66,329)**	(76,761)
Unclaimed dividends (redistributed)/returned	**(12)**	39	**(12)**	39
Purchase of own shares	**(195,841)**	(136,479)	**(195,841)**	(136,479)
Bank loans and unsecured fixed rate loan notes raised	**-**	10,000	**-**	10,000
Repayment of borrowing	**(170,000)**	-	**(170,000)**	-
Finance costs paid	**(7,570)**	(9,606)	**(7,570)**	(9,602)
Net cash outflow from financing activities	**(439,752)**	(212,807)	**(439,752)**	(212,803)
Net cash increase/(decrease) in cash and cash equivalents	**28,468**	(18,865)	**34,990**	(23,634)
Cash and cash equivalents at beginning of year	**25,153**	44,102	**16,967**	40,685
Effect of foreign exchange rate changes	**(2,527)**	(84)	**(2,527)**	(84)
Cash and cash equivalents at end of year	**51,094**	25,153	**49,430**	16,967

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 91. The nature of the Group's operations and its principal activity is as a global investment trust company investing in a portfolio of global equities and other assets. The following notes refer to the year ended 31 December 2016 and the comparatives, which are in brackets, for the year ended 31 December 2015.

The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

Critical accounting estimates and judgements

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

Valuation of unlisted investments

Investments which are not listed or which are not frequently traded are stated at the Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar instruments. Investments in subsidiary investments are valued in the Company and Group accounts at the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association issued in December 2015 and, where relevant the use of external advice. With respect specifically to investments in private equity, whether through funds or partnerships, the Directors rely on unaudited valuations of the underlying investments as supplied by the managers of those funds or partnerships. The Directors regularly review the principles applied by the managers to those valuations to ensure they are in compliance with the above policies.

Defined benefit pension scheme

The Alliance Trust Companies' Pension Fund ('the Scheme') is a funded defined benefit pension scheme which closed to future accrual on 2 April 2011. In May 2016 the Board decided to pay £19.2m into the Scheme to fund the purchase of an annuity policy with Legal & General to match the Scheme's liabilities to its members. The annuity was purchased by the Trustees of the Scheme on 31 May 2016. It is intended that the Scheme will be wound up in 2017. The actuarial assumptions of the Scheme are set out in note 25 of the financial statements.

2 Summary of Significant Accounting Policies

Basis of accounting

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements in accordance with International Financial Reporting Standards (IFRS's), as adopted by the European Union ("Adopted IFRS's"). Further detail can be found on page 37.

The financial statements have been prepared on the historical cost basis, except that investments and investment properties and financial instruments are stated at fair value and office premises are revalued on a periodic basis. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') "Financial Statements of Investment Trust Companies" issued by the Association of Investment Companies ('AIC') in November 2014, is consistent with the requirements of IFRS, then the Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

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

Change of accounting policy

During 2016, the Group changed its accounting policy for the measurement of unsecured fixed rate loan notes: in particular changing from measuring at amortised cost to fair value. The Directors believe this change results in a more appropriate treatment in line with market practice. As a result of this change, in accordance with IFRS, the amended policy has been applied retrospectively and prior periods restated. As at 31 December 2014 the impact of this change in accounting policy would have led in to an an increase in liabilities of £10.2 million and a £10.2 million loss on fair value of debt, decreasing net assets and closing capital reserves by £10.2 million for both the Group and Company. For the year ended 31 December 2014 this would have resulted in a decrease in Basic EPS attributable to Capital and on a total basis of 1.84p.

As at 31 December 2015 this would have led to a decrease in liabilities of £1.2 million and a £1.2 million gain on fair value of debt, increasing net assets and closing capital reserves by £1.2 million for both the Group and Company. For the year ended 31 December 2015 this would have resulted in an increase in Basic EPS attributable to Capital and on a total basis of 0.22p.

Change in basis of expenses allocation

From 1 January 2016 the Company, where consistent with the AIC SORP, has attributed indirect expenditure including management fees and finance costs one third to revenue and two thirds to capital profits. This excludes costs which under the AIC SORP are chargeable to revenue profits. In prior periods the Company allocated all indirect expenditure against revenue profits save two thirds of finance costs which were allocated against capital profits.

Group consolidation

The Company qualifies as an investment entity under IFRS 10 meeting all the key characteristics in the definition of an investment company and as such does not consolidate the majority of its subsidiaries.

2 Summary of Significant Accounting Policies

The consolidated financial statements therefore incorporate the financial statements of the Company and Alliance Trust Services Limited ('ATSL') as a result of the application of the "Investment Entities" exemption noted above. All other entities controlled by the Company are recorded at fair value through the income statement. They are included within the "Investments at fair value" on the Consolidated Balance Sheet as they are no longer consolidated on a line by line basis. ATSL was the employer of all staff within the Group until 31 December 2015 and also acted as paymaster company. In 2016 all costs were incurred directly by the applicable legal entity, however ATSL has continued to provide services that relate directly to the investment activities of the Company and as such continues to be consolidated.

The following subsidiaries and related companies have not been consolidated into the Group results and have been valued at fair value through the income statement:

Name	Shares held	Country of incorporation	Principal Activity
Alliance Trust Savings Limited ('ATS')	Ordinary	Scotland	Provision and administration of investment and pension products
Alliance Trust Savings (England) Limited ('ATS (England)')	Ordinary	England	Inactive
AT2006 Limited ('AT2006')	Ordinary	Scotland	Intermediate holding company
Second Alliance Trust Limited ('SATL')	Ordinary	Scotland	Inactive
Alliance Trust Real Estate Partners (GP) Limited ('ATREP GP')	Ordinary	Scotland	Real estate general partner
Alliance Trust Real Estate Partners LP ('ATREP LP')	-	Scotland	Limited partnership
Alliance Trust Investments Limited ('ATI')	Ordinary	Scotland	Investment management
Alliance Trust Investments (England) Limited ('ATI (England)')	Ordinary	England	Inactive
Alliance Trust Equity Partners Limited ('ATEPL')	Ordinary	Scotland	Investment management
Albany Venture Managers GP Limited ('AVMGP')	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
Allsec Nominees Limited	Ordinary	Scotland	Nominee
Alliance Trust Savings Nominees Limited	Ordinary	Scotland	Nominee
Alliance Trust Investment Funds ICVC ('ATIF')	Ordinary	Scotland	UK domiciled Open Ended Investment Company
Alliance Trust Sustainable Future ICVC ('ATSF')	Ordinary	Scotland	UK domiciled Open Ended Investment Company

Alliance Trust (Finance) Limited, Second Alliance Leasing Limited, Alliance Trust Equity Partners (Holdings) Limited and Alliance Trust (PE Manco) Limited were liquidated during 2016 and any remaining assets were returned to the Company.

Adopted IFRS's

Amendments to the following IFRS's were applicable for the year ended 31 December 2016;

IFRS 10	Amendments regarding the application of the consolidation exception
IAS 1	Disclosure initiative
IAS 27	Separate Financial Statements (amendments)

FRS's not yet applied

The Group and the Company have not applied the following new and revised IFRS that have been issued but are not yet effective and in some cases had not been adopted for the year ended 31 December 2016:

IAS 7	Cashflow disclosure initiative (amendments)
IAS 12	Income taxes
IFRS 2	Share based payments (amendments)
IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

Any required changes will be applicable to the financial statements of the Company and Group for the year ended 31 December 2017 and future years and are expected to impact the Company and Group’s accounting for financial assets and liabilities and the disclosures thereof. The Directors do not believe that the adoption of the other standards listed above will have a material impact on the financial statements of the Company or the Group in future years.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities. Net gains or losses attributable to these investments are treated as profit on fair value of investments in the income statement and are disclosed in note 9 of the financial statements. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

2 Summary of Significant Accounting Policies

Presentation of income statement

In order to reflect the activities of an investment trust more accurately, and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature have been presented alongside the income statement. Net capital returns are not generally distributed by way of a dividend but a dividend was paid out of capital reserves in the prior year (note 17).

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.

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 restated at the rates prevailing on the balance sheet date. Gains and losses arising on restatement 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, from 1 January 2016 the Company, where consistent with the AIC SORP is attributing indirect expenditure including management fees and finance costs one third to revenue and two thirds to capital profits, specifically:

- 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 that investment.
- Annual bonus and Long Term Incentive Plan costs which relate to the achievement of investment manager performance objectives, total shareholder return and net asset value performance objectives are allocated against capital profits and those that relate to the achievement of other corporate targets or job performance objectives against revenue profits.

Expenses which under the AIC SORP are chargeable to revenue profits are recorded directly to revenue.

Operating leases

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

Share based payments

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

Investment incentive plan

The Equity Annual Incentive Plan ("the Plan") was a discretionary plan for members of the investment team applicable for 2015. It consisted of matching awards which were based upon the proportion of annual bonus set aside in the the Plan by the participants either in the form of cash or shares in the funds which they manage. The awards are settled in cash at the end of a three year performance period subject to meeting predefined performance targets.

Pension costs

From 1 January 2016 employer contributions to pension arrangements for staff have been charged one third to revenue and two thirds to capital. For periods prior to 31 December 2016 these contributions have been charged to revenue costs.

Contributions in respect of the defined benefit pension 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 accrued liabilities on a continuing basis.

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

Taxation

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

2 Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

Financial instruments

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

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Group may enter include futures, forwards and swaps.

Derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts of similar maturity dates. Changes in fair value of derivatives financial instruments are recognised in the Income Statement.

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, which include collective investment schemes, 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.

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

Investments which are not listed or which are not frequently traded are valued at the Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar instruments.

Investments in subsidiary companies are valued in the Company's accounts at the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association issued in December 2015 and where relevant the use of external valuers. For investments in private equity, the Directors make use of unaudited valuations of the underlying investments as supplied by the managers of those private equity funds. The Directors regularly review the principles applied by those managers to ensure they are in compliance with the Company's policies.

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

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

Cash and cash equivalents

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

2 Summary of Significant Accounting Policies

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

Intangible assets

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

Other fixed assets

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

Impairment

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

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

Financial liabilities and equity

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

Unsecured fixed rate loan notes and bank borrowings

Interest-bearing bank loans and overdrafts are initially 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.

Unsecured fixed rate loan notes are initially recorded at the proceeds received. After initial recognition during 2016 and as applied retrospectively (see change in accounting policy) they are now measured at fair value. Finance charges are accounted for through the income statement on an accruals basis using the effective interest rate.

Other payables

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

Buy backs and cancellation of shares

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

Realised and unrealised capital reserves

A description of each of the reserves follows:

Capital reserve

The following are recorded through this reserve:

- Gains and losses on realisation of investments
- Changes in fair value of investments
- Realised exchange differences of a capital nature
- Purchases of shares by the Trustee of the Employee Benefit Trust
- Payment of capital dividends
- Amounts recognised in relation to share based payments which are capital in nature
- Amounts by which other assets and liabilities valued at fair value differ from their book value
- Buy back and cancellation of own shares
- Amounts recognised in relation to the defined benefit pensions scheme
- Where consistent with the AIC SORP, attributing two thirds of indirect expenditure including management fees, finance costs and relevant administrative expenses are charged to capital profits

2 Summary of Significant Accounting Policies

Revaluation reserve

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

Merger reserve

This reserve was created as part of the arrangements for the acquisition of the assets of SATL.

Capital redemption reserve

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

Revenue reserve

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

3 Revenue

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

	Group		Company	
£000	Dec 16	Dec 15	Dec 16	Dec 15
Income from investments				
Listed dividends - UK	**18,866**	19,464	**18,866**	19,464
Distributions from Collective Investment Schemes	**1,913**	8,161	**1,913**	8,161
Unlisted dividends - Subsidiaries	**-**	248	**-**	248
Listed dividends - Overseas	**62,124**	60,374	**62,124**	60,374
	82,903	88,247	**82,903**	88,247
Other income				
Property rental income	**-**	565	**-**	565
Mineral rights income	**1,685**	3,311	**1,685**	3,311
Deposit interest	**9**	17	**4**	6
Other interest	**-**	219	**-**	219
Recharged costs*	**191**	22,027	**191**	-
	1,885	26,139	**1,880**	4,101
Total income	**84,788**	114,386	**84,783**	92,348
Investment income comprises				
Listed UK	**20,779**	27,625	**20,779**	27,625
Listed Overseas	**62,124**	60,374	**62,124**	60,374
Unlisted	**-**	248	**-**	248
	82,903	88,247	**82,903**	88,247

* In 2016 all costs including staff and administrative costs, were incurred directly by the applicable legal entity resulting in a lower level of recharged costs compared to the previous year. ATSL was the employer of all staff within the Group until 31 December 2015 and also acted as paymaster company and as such staff costs and all indirect costs for the two trading businesses ATS and ATI until 31 December 2015 were included within income and expenses in the Consolidated Income Statement as these were recharged by ATSL.

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

	Group			Group		
£000	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total	Dec 15 Revenue	Dec 15 Capital	Dec 15 Total
Staff costs	**509**	**990**	**1,499**	18,006	1,585	19,591
Social security costs	**104**	**209**	**313**	2,337	-	2,337
Pension credit - defined benefit scheme (note 25)	**(146)**	**(292)**	**(438)**	(207)	-	(207)
Pension costs - defined contribution scheme	**1**	**2**	**3**	1,643	-	1,643
	468	**909**	**1,377**	21,779	1,585	23,364

	Group			Group		
£000	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total	Dec 15 Revenue	Dec 15 Capital	Dec 15 Total
Auditor's remuneration						
Fee payable to the auditor for the audit of the Group's annual accounts	**64**	**-**	**64**	62	-	62
Fee payable to the auditor for subsidiary company audits	**13**	**-**	**13**	17	-	17
Total audit fees	**77**	**-**	**77**	79	-	79
Audit related assurance services	**-**	**-**	**-**	3	-	3
All other services	**5**	**-**	**5**	4	-	4
Total non-audit fees	**5**	**-**	**5**	7	-	7
Fees payable to the Company's auditor in respect of associated pension schemes audit	**5**	**-**	**5**	4	-	4
	5	**-**	**5**	4	-	4
Total remuneration	**87**	**-**	**87**	90	-	90

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

	Group			Group		
£000	**Dec 16 Revenue**	**Dec 16 Capital**	**Dec 16 Total**	**Dec 15 Revenue**	**Dec 15 Capital**	**Dec 15 Total**
Operating lease charges						
Land and buildings	**-**	**-**	**-**	111	-	111
Other	**-**	**-**	**-**	19	-	19
Total operating lease charges	**-**	**-**	**-**	130	-	130
Investment management fee	**3,114**	**6,227**	**9,341**	-	-	-
Other administrative costs	**4,303**	**1,674**	**5,977**	22,461	-	22,461
Total administrative costs	**7,972**	**8,810**	**16,782**	44,460	1,585	46,045

	Company			Company		
£000	**Dec 16 Revenue**	**Dec 16 Capital**	**Dec 16 Total**	**Dec 15 Revenue**	**Dec 15 Capital**	**Dec 15 Total**
Staff costs	**509**	**990**	**1,499**	7,710	1,133	8,843
Social security costs	**104**	**209**	**313**	1,126	-	1,126
Pension credit - defined benefit scheme (note 25)	**(146)**	**(292)**	**(438)**	(207)	-	(207)
Pension costs - defined contribution scheme	**1**	**2**	**3**	594	-	594
	468	**909**	**1,377**	9,223	1,133	10,356
Auditor's remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	**64**	**-**	**64**	62	-	62
Total audit fees	**64**	**-**	**64**	62	-	62
All other services	**5**	**-**	**5**	4	-	4
Total non-audit fees	**5**	**-**	**5**	4	-	4
Fees payable to the Company's auditors in respect of associated pension schemes audit	**5**	**-**	**5**	4	-	4
Total pension audit fees	**5**	**-**	**5**	4	-	4
Total remuneration	**74**	**-**	**74**	70	-	70
Operating lease charges						
Land and buildings	**-**	**-**	**-**	111	-	111
Other	**-**	**-**	**-**	19	-	19
Total operating lease charges	**-**	**-**	**-**	130	-	130
Investment management fee	**3,114**	**6,227**	**9,341**	-	-	-
Other administrative costs	**4,304**	**1,674**	**5,978**	13,412	-	13,412
Total administrative costs	**7,960**	**8,810**	**16,770**	22,835	1,133	23,968

In addition to the audit fees paid by the Company and consolidated group disclosed above, fees payable to the company's auditors for the audit of the non-consolidated subsidiaries amounted to £190,000 (£176,000), with audit related services for these entities amounting to £100,000 (£70,000). Total audit fees of £267,000 (£255,000), non-audit fees of £105,000 (£75,000) and fees payable in respect of associated pension schemes of £5,000 (£4,000) were paid to Deloitte LLP. Total remuneration paid to Deloitte LLP amounted to £377,000 (£334,000).

Total Directors' remuneration recorded for the year was £1.2m (£2.4m). This includes the current year allocation in respect of contractual awards made to former Executive Directors in prior years. No new awards were granted during 2016. Further details are given in the Remuneration Report on pages 38 to 44. In the year the Group employed no staff as all staff were employed by trading subsidiaries; staff and social security costs represent costs of Non-Executive Directors and the previous CEO. In the prior year staff were employed by Alliance Trust Services Limited and staff costs were included within the Group results. The Group employed an average of Nil (261) full-time and Nil (16) part-time staff, excluding Directors. The average full time equivalents in the year was Nil.

Total Company administrative expenses of £16.8m (£23.9m) include non-recurring expenses of £3.4m (£5.2m) as disclosed on page 21. The ongoing charges (OCR) of the Company amounted to 0.43% (0.59%) of the average net assets. The 2016 OCR of 0.43% is based on total ongoing expenses. Had the new OCR calculation basis been applied in 2015 the comparable OCR would have been 0.63%. This is further outlined in the Costs section on page 20.

The basis of the investment management fee is 0.35% of NAV after deducting the value of Trust holdings in ATI managed funds and the fair value of subsidiary companies.

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

5 Finance costs

		Group			Group	
£000	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total	Dec 15 Revenue	Dec 15 Capital	Dec 15 Total
Bank loans and unsecured fixed rate loan notes	**2,586**	**5,107**	**7,693**	3,972	5,281	9,253
Total finance costs	**2,586**	**5,107**	**7,693**	3,972	5,281	9,253

		Company			Company	
£000	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total	Dec 15 Revenue	Dec 15 Capital	Dec 15 Total
Bank loans and unsecured fixed rate loan notes	**2,586**	**5,107**	**7,693**	3,968	5,281	9,249
Total finance costs	**2,586**	**5,107**	**7,693**	3,968	5,281	9,249

Finance costs include interest of £4.3m (£4.3m) on the £100m 4.28% unsecured fixed rate loan notes which were drawn down in July 2014 for 15 years. The basis of apportionment of finance costs between revenue and capital profits is disclosed in note 2 (change of accounting estimates).

6 Taxation

		Group			Group	
£000	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total	Dec 15 Revenue	Dec 15 Capital	Dec 15 Total
UK corporation tax at 20.00% (20.25%)	**-**	**-**	**-**	-	-	-
Prior year adjustment	**(1)**	**-**	**(1)**	(2)	-	(2)
Overseas taxation	**6,219**	**-**	**6,219**	5,460	-	5,460
Recoverable income tax	**(81)**	**-**	**(81)**	-	-	-
	6,137	**-**	**6,137**	5,458	-	5,458
Deferred taxation	**2,280**	**2,248**	**4,528**	(96)	-	(96)
Rate change impact on deferred tax balances	**(50)**	**-**	**(50)**	-	-	-
Tax expense for the year	**8,367**	**2,248**	**10,615**	5,362	-	5,362

Corporation tax is calculated at the average rate of 20.00% (20.25%) of the estimated assessable profit for the year. Taxation for overseas jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

		Group			Group	
£000	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total	Dec 15 Revenue	Dec 15 Capital	Dec 15 Total
Profit before tax	**74,230**	**567,713**	**641,943**	65,954	80,282	146,236
Tax at the average UK corporation tax rate of 20.00 % (20.25%)	**14,846**	**113,543**	**128,389**	13,356	16,257	29,613
Non taxable income	**(14,423)**	**-**	**(14,423)**	(14,574)	(219)	(14,793)
Losses on investments not taxable	**-**	**(118,799)**	**(118,799)**	-	(17,386)	(17,386)
Prior year adjustment	**(1)**	**-**	**(1)**	(2)	-	(2)
Foreign exchange adjustments	**-**	**505**	**505**	-	17	17
Effect of changes in tax rates	**(452)**	**(397)**	**(849)**	(100)	-	(100)
Effect of overseas tax	**6,219**	**-**	**6,219**	5,460	-	5,460
Deferred tax assets not recognised	**(192)**	**5,551**	**5,359**	1,383	1,045	2,428
Fair value movement in office premises	**-**	**8**	**8**	-	(35)	(35)
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**2,149**	**1,595**	**3,744**	(127)	164	37
Utilisation of brought forward tax losses	**-**	**-**	**-**	(272)	146	(126)
Expenses not deductible for tax purposes	**390**	**242**	**632**	326	11	337
Expense relief for overseas tax	**(88)**	**-**	**(88)**	(91)	-	(91)
Group relief not paid for	**-**	**-**	**-**	3	-	3
Recoverable income tax	**(81)**	**-**	**(81)**	-	-	-
Tax expense for the year	**8,367**	**2,248**	**10,615**	5,362	-	5,362

6 Taxation

		Company			Company	
£000	**Dec 16 Revenue**	**Dec 16 Capital**	**Dec 16 Total**	**Dec 15 Revenue**	**Dec 15 Capital**	**Dec 15 Total**
UK corporation tax at 20.00% (20.25%)	**-**	**-**	**-**	-	-	-
Prior year adjustment	**(1)**	**-**	**(1)**	(4)	-	(4)
Overseas taxation	**6,219**	**-**	**6,219**	5,460	-	5,460
Recoverable income tax	**(81)**	**-**	**(81)**	-	-	-
	6,137	**-**	**6,137**	5,456	-	5,456
Deferred taxation	**2,280**	**2,248**	**4,528**	(96)	-	(96)
Rate change impact on deferred tax balances	**(50)**	**-**	**(50)**	-	-	-
Tax expense for the year	**8,367**	**2,248**	**10,615**	5,360	-	5,360

Corporation tax is calculated at the average rate of 20.00% (20.25%) of the estimated assessable profit for the year. Taxation for overseas jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

		Company			Company	
£000	**Dec 16 Revenue**	**Dec 16 Capital**	**Dec 16 Total**	**Dec 15 Revenue**	**Dec 15 Capital**	**Dec 15 Total**
Profit before tax	**74,237**	**565,471**	**639,708**	65,545	82,931	148,476
Tax at the average UK corporation tax rate of 20.00 % (20.25%)	**14,847**	**113,094**	**127,941**	13,273	16,794	30,067
Non taxable income	**(14,423)**	**-**	**(14,423)**	(14,574)	-	(14,574)
Losses on investments not taxable	**-**	**(118,351)**	**(118,351)**	-	(17,831)	(17,831)
Prior year adjustment	**(1)**	**-**	**(1)**	(2)	-	(2)
Foreign exchange adjustments	**-**	**505**	**505**	-	17	17
Effect of changes in tax rates	**(452)**	**(397)**	**(849)**	(100)	-	(100)
Effects of overseas tax	**6,219**	**-**	**6,219**	5,460	-	5,460
Deferred tax assets not recognised	**(193)**	**5,552**	**5,359**	1,383	1,045	2,428
Fair value movement in office premises	**-**	**8**	**8**	-	(35)	(35)
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**2,149**	**1,595**	**3,744**	(20)	-	(20)
Expenses not deductible for tax purposes	**390**	**242**	**632**	28	10	38
Expense relief for overseas tax	**(88)**	**-**	**(88)**	(91)	-	(91)
Group relief not paid for	**-**	**-**	**-**	3	-	3
Recoverable income tax	**(81)**	**-**	**(81)**	-	-	-
Tax expense for the year	**8,367**	**2,248**	**10,615**	5,360	-	5,360

7 Dividends

Dividends Paid £000	**Dec 16**	**Dec 15**
Fourth interim dividend for the year ended 31 December 2014 of 2.4585p per share	**-**	13,555*
First interim dividend for the year ended 31 December 2015 of 2.5325p per share	**-**	13,962
Second interim dividend for the year ended 31 December 2015 of 2.5325p per share	**-**	13,965
Third interim dividend for the year ended 31 December 2015 of 2.5325p per share	**-**	13,464
Fourth interim dividend for the year ended 31 December 2015 of 3.3725p per share	**17,473***	-
First interim dividend for the year ended 31 December 2016 of 2.825p per share	**14,528**	-
Second interim dividend for the year ended 31 December 2016 of 2.825p per share	**14,528**	-
Third interim dividend for the year ended 31 December 2016 of 3.85p per share	**19,800**	-
-	**66,329**	54,946
Special dividend for the year ended 31 December 2014 of 2.546p per share	**-**	14,036
Special dividend for the year ended 31 December 2015 of 1.463p per share	**-**	7,779
	66,329	76,761

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.

7 Dividends

Dividends Earned £000	Dec 16	Dec 15
First interim dividend for the year ended 31 December 2015 of 2.5325p per share	**-**	13,962
Second interim dividend for the year ended 31 December 2015 of 2.5325p per share	**-**	13,965
Third interim dividend for the year ended 31 December 2015 of 2.5325p per share	**-**	13,464
Fourth interim dividend for the year ended 31 December 2015 of 3.3725p per share	**-**	17,570*
First interim dividend for the year ended 31 December 2016 of 2.825p per share	**14,528**	-
Second interim dividend for the year ended 31 December 2016 of 2.825p per share	**14,528**	-
Third interim dividend for the year ended 31 December 2016 of 3.85p per share	**19,800**	-
Fourth interim dividend for the year ended 31 December 2016 of 3.274p per share	**16,108**	-
	64,964	58,961
Special dividend for the year ended 31 December 2015 of 1.463p per share	**-**	7,779
	64,964	66,740

* 31 December 2014 and 31 December 2015 figures have been adjusted to reflect share buy backs.

8 Earnings per share

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

		Group			Group	
Basic £000	**Dec 16 Revenue**	**Dec 16 Capital**	**Dec 16 Total**	**Dec 15 Revenue**	**Dec 15 Capital**	**Dec 15 Total**
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**65,863**	**565,465**	**631,328**	60,592	80,282	140,874
Number of shares						
Weighted average number of ordinary shares for the purpose of basic earnings per share			**515,646,212**			548,480,531
Weighted average number of ordinary shares for the purpose of diluted earnings per share			**516,414,688**			549,465,141

		Company			Company	
Diluted £000	**Dec 16 Revenue**	**Dec 16 Capital**	**Dec 16 Total**	**Dec 15 Revenue**	**Dec 15 Capital**	**Dec 15 Total**
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**65,870**	**563,223**	**629,093**	60,185	82,931	143,116
Number of shares						
Weighted average number of ordinary shares for the purpose of basic earnings per share			**515,646,212**			548,480,531
Weighted average number of ordinary shares for the purpose of diluted earnings per share			**516,414,688**			549,465,141

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 698,062 (886,173) ordinary shares held by the Trustee of the Employee Benefit Trust. During the year the Trustee increased its holding by Nil (Nil) shares. 188,111 (245,664) 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 Dec 16	Group Dec 15	Company Dec 16	Company Dec 15
Investments designated at fair value through profit and loss:				
Investments listed on a recognised investment exchange	**3,157,042**	2,930,872	**3,157,042**	2,930,872
Forward currency exchange contracts held at fair value through profit and loss	**6,853**	-	**6,853**	-
Unlisted investments	**47,444**	47,778	**47,444**	47,778
Investment in collective investment schemes (note 10)	**93,027**	158,009	**93,027**	158,009
Investments in related and subsidiary companies (note 10)	**169,799**	170,738	**169,831**	173,012
	3,474,165	3,307,397	**3,474,197**	3,309,671
Total Investments	**3,474,165**	3,307,397	**3,474,197**	3,309,671

December 2015 — Group

£000	Listed Investments	Investment Property	Related and Subsidiary Companies	Unlisted Investments	Total
Opening book cost at 1 January 2015	2,515,187	10,413	197,393	50,281	2,773,274
Opening unrealised appreciation/(depreciation)	591,114	(5,583)	(24,735)	9,592	570,388
Opening valuation as at 1 January 2015	3,106,301	4,830	172,658	59,873	3,343,662
Movements in the year					
Purchases at cost**	1,160,828	-	39,100	3,808	1,203,736
Sales - proceeds**	(1,280,897)	(5,550)	(38,147)	(1,265)	(1,325,859)
- realised gains/(losses)on sales	156,042	(4,863)	5,904	(6,859)	150,224
(Decrease)/Increase in appreciation on assets held	(53,393)	5,583	(8,777)	(7,779)	(64,366)
Closing valuation as at 31 December 2015	3,088,881	-	170,738	47,778	3,307,397
Closing book cost	2,551,160	-	204,250	45,965	2,801,375
Closing appreciation/(depreciation)on assets held	537,721	-	(33,512)	1,813	506,022
Closing valuation as at 31 December 2015	3,088,881	-	170,738	47,778	3,307,397

December 2016 — Group

£000	Listed Investments	Investment Property	Related and Subsidiary Companies	Unlisted Investments	Total
Opening book cost at 1 January 2016	2,551,160	-	204,250	45,965	2,801,375
Opening unrealised appreciation/(depreciation)	537,721	-	(33,512)	1,813	506,022
Opening valuation at 1 January 2016	3,088,881	-	170,738	47,778	3,307,397
Movements in the year					
Purchases at cost**	1,035,577	-	17,000	1,629	1,054,206
Sales - proceeds**	(1,444,127)	-	(37,121)	(187)	(1,481,435)
- realised gains/(losses)on sales	261,018	-	14,046	(433)	274,631
Increase/(decrease) in appreciation on assets held	315,573	-	5,136	(1,343)	319,366
Closing valuation at 31 December 2016	3,256,922	-	169,799	47,444	3,474,165
Closing book cost	2,403,628	-	198,175	46,974	2,648,777
Closing appreciation/(depreciation)on assets held	853,294	-	(28,376)	470	825,388
Closing valuation as at 31 December 2016	3,256,922	-	169,799	47,444	3,474,165

9 Non-current assets

December 2015			Company		
£000	Listed Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 January 2015	2,515,187	10,413	197,393	50,281	2,773,274
Opening unrealised appreciation/(depreciation)	591,114	(5,583)	(24,657)	9,592	570,466
Opening valuation as at 1 January 2015	3,106,301	4,830	172,736	59,873	3,343,740
Movements in the year					
Purchases at cost**	1,160,828	-	39,100	3,808	1,203,736
Sales - proceeds**	(1,280,897)	(5,550)	(38,147)	(1,265)	(1,325,859)
- realised gains/(losses) on sales	156,042	(4,863)	5,904	(6,859)	150,224
(Decrease)/increase in appreciation on assets held	(53,393)	5,583	(6,581)	(7,779)	(62,170)
Closing valuation as at 31 December 2015	3,088,881	-	173,012	47,778	3,309,671
Closing book cost	2,551,160	-	204,250	45,965	2,801,375
Closing appreciation/(depreciation) on assets held	537,721	-	(31,238)	1,813	508,296
Closing valuation as at 31 December 2015	3,088,881	-	173,012	47,778	3,309,671

December 2016			Company		
£000	Listed Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 January 2016	2,551,160	-	204,250	45,965	2,801,375
Opening unrealised appreciation/(depreciation)	537,721	-	(31,238)	1,813	508,296
Opening valuation as at 1 January 2016	3,088,881	-	173,012	47,778	3,309,671
Movements in the year					
Purchases at cost**	1,035,577	-	17,000	1,629	1,054,206
Sales - proceeds**	(1,444,127)	-	(37,121)	(187)	(1,481,435)
- realised gains/(losses) on sales	261,018	-	14,046	(433)	274,631
Increase/(decrease) in appreciation on assets held	315,573	-	2,894	(1,343)	317,124
Closing valuation as at 31 December 2016	3,256,922	-	169,831	47,444	3,474,197
Closing book cost	2,403,628	-	198,175	46,974	2,648,777
Closing appreciation/(depreciation)on assets held	853,294	-	(28,344)	470	825,420
Closing valuation as at 31 December 2016	3,256,922	-	169,831	47,444	3,474,197

** 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 £1.6m (£2.0m) for purchases and £1.5m (£1.5m) for sales.

9 Non-current assets

£000	Group and Company
	Office premises freehold / Heritable property
Valuation at 31 December 2014	4,365
Revaluation	175
Valuation at 31 December 2015	**4,540**
Revaluation	**(40)**
Valuation at 31 December 2016	**4,500**

At 31 December 2016 Cushman & Wakefield, an independent Chartered Surveyor, valued the office premises at 8 West Marketgait, Dundee at £4.50m (£4.54m) on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The historic cost of the building as at 31 December 2016 was £12.7m (£12.7m).

£000	Group and Company
Other Fixed Assets	
Opening book cost at 1 January 2015	856
Additions	25
Disposals	-
Book cost at 31 December 2015	**881**
Additions	**6**
Disposals	**(721)**
Transfers from Group companies	**323**
Book cost at 31 December 2016	**489**
Opening depreciation at 1 January 2015	(389)
Depreciation charge	(193)
Disposals	-
Depreciation at 31 December 2015	**(582)**
Depreciation charge	**(57)**
Disposals	**300**
Transfers from Group companies	**(126)**
Depreciation at 31 December 2016	**(465)**
Net book value at 31 December 2015	299
Net book value at 31 December 2016	**24**

10 Subsidiaries and Related Companies

The Group results incorporate the Company and ATSL in full only on the basis ATSL continues to provide services that relate directly to the investment activities of the Company, however it is not an investment entity itself. In 2016 all costs including staff and administrative costs, were charged directly to the applicable legal entity resulting in a lower level of recharged costs compared to the previous year. All intra-group transactions, balances, income and expenses within these entities are eliminated on consolidation.

At 31 December 2016 the Company owned 100% of ATS, AT2006, ATREP, ATSL, ATI, and ATEPL, AVMGP, ATEP2008GP and ATEP2009GP. AT2006 owned 100% of SATL. A full list of investments in subsidiary entities is included in the basis of accounting note.

Investments in subsidiary companies are valued in the Group accounts at £169.8m (£170.7m) and Company's accounts at £169.8m (£173.0m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association issued in December 2015 and external valuation inputs. This includes, the two main trading investments, ATS at £61.5m (£54.0m) and ATI at £28.3m (£19.8m). The key financial results are noted below for both.

Alliance Trust Investments Limited	**Year ended**	**Year ended**
£000	**31 December 2016**	**31 December 2015**
Total income	**22,007**	10,545
Expenses	**(18,883)**	(12,598)
Profit/(loss) before exceptional items	**3,124**	(2,053)
Exceptional expenses	**(2,772)**	-
Profit/(loss)	**352**	(2,053)
Fair valuation	**28,276**	19,800

10 Subsidiaries and Related Companies

Alliance Trust Savings Limited £000	Year ended 31 December 2016	Year ended 31 December 2015
Total income	**21,627**	13,695
Expenses	**(20,385)**	(16,848)
Profit/(loss) before non-recurring and discontinued	**1,242**	(3,153)
Non-recurring and discontinued	**(68)**	(2,074)
Profit/(loss)	**1,174**	(5,227)
Fair valuation	**61,500**	54,000

The Directors have used several valuation methodologies as described in the International Private Equity and Venture Capital Association guidelines issued in December 2015 to arrive at their best estimate of fair value, including discounted cash flow calculations, revenue and earnings multiples, recent market transactions where available and external valuations. Note 23.8 provides further information on the valuation methodologies applied, including that the Directors involved an external valuation in their assessment of the fair value of ATS for 2015 and 2016.

On 15 December 2016 Alliance Trust PLC announced the outcome of the Strategic Review and an agreement to sell Alliance Trust Investments (ATI) to Liontrust Asset Management PLC. While completion of the deal is subject to conditions and approvals, completion is expected to take place in early April 2017. The reported fair value of ATI reflects the 30 December 2016 value of Liontrust Asset Management PLC shares to be used as consideration for the purchase of ATI, the expected net asset value of ATI and excludes any contingent amounts.

The Company has invested in two sub-funds of Alliance Trust Investment Funds ICVC ('ATIF') and in two sub-funds in Alliance Trust Sustainable Future ICVC ('ATSF'), both ATIF and ATSF are UK domiciled Open Ended Investment Companies (OEIC). In addition the Company has invested in a sub-fund of Luxcellence, a Luxembourg domiciled Société d'Investissement à Capital Variable (SICAV). The Company redeemed its interest in the Monthly Income Bond Fund and Dynamic Bond Fund, sub-funds of ATIF, during 2016. As at 31 December 2016 the Company held the following value of shares and proportions of each sub-fund. The value of the shares held by the Company is also given below:

	Dec 16 Proportion %	Dec 16 Value £000	Dec 15 Proportion %	Dec 15 Value £000
ATIF - Monthly Income Bond fund	**-**	**-**	20	63,184
ATIF - Dynamic Bond Fund	**-**	**-**	75	10,143
ATSF - Sustainable Future Cautious Managed Fund	**66**	**11,850**	80	10,950
ATSF - Sustainable Future Defensive Managed Fund	**58**	**11,680**	80	10,830
Luxcellence - Alliance Trust Sustainable Future Pan-European Equity Fund	**44**	**69,497**	49	62,902
	-	**93,027**	-	158,009

11 Intangible assets

£000		Group and Company Technology systems
Opening book cost at 1 January 2015		2,082
Additions		214
Book cost at 31 December 2015		**2,296**
Additions		**-**
Transfers from Group companies		**(1,749)**
Book cost at 31 December 2016		**547**
Opening amortisation at 1 January 2015	-	(1,050)
Amortisation		(329)
Amortisation at 31 December 2015		**(1,379)**
Amortisation		**-**
Transfers from Group companies		**832**
Amortisation as at 31 December 2016		**(547)**
Carrying amount as at 31 December 2015		917
Carrying amount as at 31 December 2016		**-**

Amortisation is included within administrative expenses in the income statement.

Transfers were made to or from non-consolidated subsidiary companies at an arms length basis.

12 Deferred tax

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

Group

£000	Retirement benefit obligations	Accelerated Tax Depreciation	Losses	Foreign Tax	Other	Total
At 1 January 2015 - (liability)/asset	(1,039)	-	1,039	-	-	-
Income statement - deferred tax credit	204	-	303	-	-	507
Income statement - deferred tax charge	(307)	-	(104)	-	-	(411)
Equity - deferred tax credit	4	-	-	-	-	4
Equity - deferred tax charge	(100)	-	-	-	-	(100)
At 31 December 2015 - (liability)/asset	(1,238)	-	1,238	-	-	-
Income statement - deferred tax credit	(3,373)	-	(1,097)	-	(58)	(4,528)
Income statement - deferred tax charge	119	-	(69)	-	-	50
Equity - deferred tax credit	4,528	-	-	-	-	4,528
Equity - deferred tax charge	(50)	-	-	-	-	(50)
At 31 December 2016 - (liability)/asset	(14)	-	72	-	(58)	-

At the balance sheet date, the Group had unused tax losses of £82.7m (£53.8m) available for offset against future profits.

There are unrecognised deferred tax assets of £14.1m (£9.7m) in relation to unused tax losses and £3.7m (£0.2m) in relation to fixed assets and other timing differences. The Directors have not recognised this deferred tax asset due to uncertainty over the timing of future profits.

Tax payable of £3.9m (£3.9m) relates to the taxation of overseas dividends received before July 2009. The amount of the final liability to be paid is dependent on the outcome of an ongoing class action in which the Company is participating.

Company

£000	Retirement benefit obligations	Accelerated Tax Depreciation	Losses	Foreign Tax	Other	Total
At 1 January 2015 - (liability)/asset	(1,039)	-	1,039	-	-	-
Income statement - deferred tax credit	204	-	303	-	-	507
Income statement - deferred tax charge	(307)	-	(104)	-	-	(411)
Equity - deferred tax credit	4	-	-	-	-	4
Equity - deferred tax charge	(100)	-	-	-	-	(100)
At 31 December 2015 - (liability)/asset	(1,238)	-	1,238	-	-	-
Income statement - deferred tax credit	(3,373)	-	(1,097)	-	(58)	(4,528)
Income statement - deferred tax charge	119	-	(69)	-	-	50
Equity - deferred tax credit	4,528	-	-	-	-	4,528
Equity - deferred tax charge	(50)	-	-	-	-	(50)
At 31 December 2016 - (liability)/asset	(14)	-	72	-	(58)	-

At the balance sheet date, the Company had unused tax losses of £79.8m (£47.2m) available for offset against future profits.

There are unrecognised deferred tax assets of £13.6m (£9.3m) in relation to unused tax losses and £3.7m (£0.2m) in relation to fixed assets and other timing differences. The Directors have not recognised the deferred tax asset due to uncertainty over the timing of future profits.

Tax payable of £3.9m (£3.9m) relates to the taxation of overseas dividends received before July 2009. The amount of the final liability to be paid is dependent on the outcome of an ongoing class action in which the Company is participating.

13 Outstanding settlements and other receivables

	Group		Company	
£000	Dec 16	Dec 15	Dec 16	Dec 15
Dividends receivable	**6,021**	5,514	**6,021**	5,514
Other income receivable	**43**	544	**43**	544
Amounts due from subsidiary companies	**366**	797	**438**	1,529
Other debtors	**3,330**	5,270	**3,319**	1,841
	9,760	12,125	**9,821**	9,428

13 Outstanding settlements and other receivables

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

14 Outstanding settlements and other payables

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Purchases of investments awaiting settlement	**907**	787	**907**	787
Amounts due to subsidiary companies	**3,124**	2,226	**3,035**	1,971
Other creditors	**9,610**	12,694	**8,123**	3,197
Interest payable	**1,986**	1,863	**1,986**	1,863
	15,627	17,570	**14,051**	7,818

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

15 Bank loans and unsecured fixed rate loan notes

Bank loans	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Bank loans repayable within one year	**120,000**	290,000	**120,000**	290,000
Analysis of borrowings by currency:				
Bank loans - sterling	**120,000**	290,000	**120,000**	290,000
The weighted average % interest rates payable:				
Bank loans	**0.96%**	1.33%	**0.96%**	1.33%
The Directors estimate the fair value of the borrowings to be:				
Bank loans	**120,000**	290,000	**120,000**	290,000

Unsecured fixed rate loan notes	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Unsecured fixed rate loan notes	**118,800**	109,000	**118,800**	109,000
The effective interest rate payable:				
Unsecured fixed rate loan notes	**2.52%**	3.44%	**2.52%**	3.44%

£100m of unsecured fixed loan notes were drawn down in July 2014, with 15 years duration at 4.28%. The fair value is estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings of similar maturity to estimate credit risk margin.

Long term fixed rate notes	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
The total weighted average % interest rate	**2.47%**	2.09%	**2.47%**	2.09%

16 Share capital

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Allotted, called up and fully paid:				
- 492,703,932 ordinary shares of 2.5p each	**12,319**	13,160	**12,319**	13,160

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

The Employee Benefit Trust holds 698,062 (886,173) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee increased its holding by Nil (Nil) shares. 188,111 (245,664) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

16 Share capital

£000	Group Dec 16	Group Dec 15	Company Dec 16	Company Dec 15
Ordinary shares of 2.5p each				
Opening share capital	**13,160**	13,835	**13,160**	13,835
Share buy backs	**(841)**	(675)	**(841)**	(675)
Closing share capital	**12,319**	13,160	**12,319**	13,160

Capital Management Policies and Procedures

The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 5. From February 2016 this function has been undertaken by ATI in its capacity as AIFM within parameters set by the Board. The Group, Company and the remaining financial services subsidiary investments comply with the capital requirements of their relevant regulators, including the Capital Requirements Directive (CRD) and the Alternative Investment Fund Managers Directive (AIFMD).

17 Reserves

Group

£000	Share Capital	Capital Reserve	Merger Reserve	Capital Redemption Reserve	Revenue Reserve	Total
Net assets at 31 December 2014	13,835	2,223,715	645,335	5,163	120,916	3,008,964
Dividends	-	(7,779)	-	-	(68,982)	(76,761)
Unclaimed dividends returned	-	-	-	-	39	39
Profit for the year	-	80,282	-	-	60,592	140,874
Own shares purchased	(675)	(136,479)	-	675	-	(136,479)
Defined benefit plan net actuarial loss	-	(118)	-	-	-	(118)
Share based payments	-	521	-	-	-	521
Net assets at 31 December 2015	13,160	2,160,142	645,335	5,838	112,565	2,937,040
Dividends	**-**	**-**	**-**	**-**	**(66,329)**	**(66,329)**
Unclaimed dividends redistributed	**-**	**-**	**-**	**-**	**(12)**	**(12)**
Profit for the year	**-**	**565,465**	**-**	**-**	**65,863**	**631,328**
Own shares purchased	**(841)**	**(195,841)**	**-**	**841**	**-**	**(195,841)**
Defined benefit plan net actuarial loss	**-**	**(22,159)**	**-**	**-**	**-**	**(22,159)**
Share based payments	**-**	**110**	**-**	**-**	**-**	**110**
Net assets at 31 December 2016	**12,319**	**2,507,717**	**645,335**	**6,679**	**112,087**	**3,284,137**

Company

£000	Share Capital	Capital Reserve	Merger Reserve	Capital Redemption Reserve	Revenue Reserve	Total
Net assets at 31 December 2014	13,835	2,223,950	645,335	5,163	120,679	3,008,962
Dividends	-	(7,779)	-	-	(68,982)	(76,761)
Unclaimed dividends returned	-	-	-	-	39	39
Profit for the year	-	82,931	-	-	60,185	143,116
Own shares purchased	(675)	(136,479)	-	675	-	(136,479)
Defined benefit plan net actuarial loss	-	(118)	-	-	-	(118)
Share based payments	-	521	-	-	-	521
Net assets at 31 December 2015	13,160	2,163,026	645,335	5,838	111,921	2,939,280
Dividends	**-**	**-**	**-**	**-**	**(66,329)**	**(66,329)**
Unclaimed dividends redistributed	**-**	**-**	**-**	**-**	**(12)**	**(12)**
Profit for the year	**-**	**563,223**	**-**	**-**	**65,870**	**629,093**
Own shares purchased	**(841)**	**(195,841)**	**-**	**841**	**-**	**(195,841)**
Defined benefit plan net actuarial loss	**-**	**(22,159)**	**-**	**-**	**-**	**(22,159)**
Share based payments	**-**	**110**	**-**	**-**	**-**	**110**
Net assets at 31 December 2016	**12,319**	**2,508,359**	**645,335**	**6,679**	**111,450**	**3,284,142**

The Company revenue reserves distributable by way of a dividend are £111.5m (£111.9m). Realised capital reserves of £1,702m (£1,664m) can be distributed by way of a dividend. Unrealised capital reserves of £508m (£508m) relate to unrealised appreciation on investments. Total distributable reserves are £2,507m (£2,172m). Share buy backs are funded through realised capital reserves.

18 Net Asset Value per Ordinary Share

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

	Group		Company	
£000	Dec 16	Dec 15	Dec 16	Dec 15
Equity shareholder funds	**3,284,137**	2,937,040	**3,284,142**	2,939,280
Number of shares at year end - Basic	**492,005,870**	525,454,724	**492,005,870**	525,454,724
Number of shares at year end - Diluted	**492,703,932**	526,340,897	**492,703,932**	526,340,897

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 698,062 (886,173) shares held by the Trustee of the Employee Benefit Trust. During the year the Trustee increased its holding by Nil (Nil) shares. 188,111 (245,664) shares were transferred from the Employee Benefit Trust to participants in the LTIP in satisfaction of awards.

19 Segmental Reporting

The Company has identified a single operating segment, the investment trust, whose objective is to be a core investment for investors seeking increasing capital growth and income over the long term. The accounting policies of the operating segment, which operates in the UK, are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the total profit before tax which is shown in the Company Income Statement on page 55.

20 Related Party Transactions

Transactions between the Company and ATSL are eliminated on consolidation.

Other subsidiaries held by the Group may purchase goods or services for other entities within the Group and recharge these costs directly to the appropriate entity to which the costs relate.

There are no further related parties other than those stated below.

From 1 January 2016 all employee contracts were transferred to either ATI or ATS resulting in lower comparable costs. During 2015 amounts were reimbursed/(repaid) between ATSL and the other entities as it acted as paymaster and employer of staff for all corporate entities.

Alliance Trust Services £000	Year ended 31 December 2016	Year ended 31 December 2015
Paid by Alliance Trust PLC (the Company)	**7,198**	27,629
Paid to Alliance Trust PLC (the Company)	**(7,217)**	(15,787)
Due from/(to)ATSL	**(95)**	417
Paid by Alliance Trust Savings Limited	**30,906**	25,087
Paid to Alliance Trust Savings Limited	**(2,750)**	(1,983)
Due from/(to)ATSL	**(58)**	252
Paid by Alliance Trust Investments Limited	**19,533**	18,985
Paid to Alliance Trust Investments Limited	**(8,721)**	(2,890)
Due from/(to)ATSL	**(8)**	392
Paid by Alliance Trust Equity Partners (Holdings) Limited	**-**	20
Due from/(to)ATSL	**-**	-
Paid by Alliance Trust Equity Partners Limited	**45**	20
Paid to Alliance Trust Equity Partners Limited	**(3)**	(1)
Due from/(to)ATSL	**-**	-
Paid by Alliance Trust Real Estate Partners LP	**108**	130
Paid to Alliance Trust Real Estate Partners LP	**(10)**	(3)
Due from/(to)ATSL	**-**	(74)

Transactions with key management personnel

Details of the Non Executive Directors are disclosed on pages 26 to 27. The remuneration and other compensation including pension cost paid to the Directors during the year is summarised overleaf.

For the purpose of IAS 24 'Related Party Disclosures, key management personnel comprised the Chief Executive and senior management, plus the Non Executive Directors of the Company. In 2015 this also included the Members of the Executive Committee.

The 2016 remuneration paid to the previous Chief Executive has been borne by the Company. Details of the remuneration are disclosed in the remuneration report on pages 38 to 44.

20 Related Party Transactions

£000	Group Dec 16	Group Dec 15	Company Dec 16	Company Dec 15
Total emoluments	**467**	2,847	**467**	2,089
Payments to former key management personnel	**625**	474	**625**	474
Post retirement benefits	**-**	61	**-**	27
Equity compensation benefits	**71**	538	**71**	423
	1,163	3,920	**1,163**	3,013

21 Analysis of change in net cash/(debt)

Group

£000	Dec 14	Cash flow	Other gains / (losses)	Dec 15	Cash flow	Other gains / (losses)	Dec 16
Cash and cash equivalents	44,102	(18,865)	(84)	25,153	28,468	(2,527)	**51,094**
Bank loans and unsecured fixed rate loan notes	(390,200)	(10,000)	1,200	(399,000)	170,000	(9,800)	**(238,800)**
Net (debt)/cash	(346,098)	(28,865)	1,116	(373,847)	198,468	(12,327)	**(187,706)**

Company

£000	Dec 14	Cash flow	Other gains / (losses)	Dec 15	Cash flow	Other gains / (losses)	Dec 16
Cash and cash equivalents	40,685	(23,634)	(84)	16,967	34,990	(2,527)	**49,430**
Bank loans and unsecured fixed rate loan notes	(390,200)	(10,000)	1,200	(399,000)	170,000	(9,800)	**(238,800)**
Net (debt)/cash	(349,515)	(33,634)	1,116	(382,033)	204,990	(12,327)	**(189,370)**

Other gains/(losses) includes movement on foreign exchange and movements in the fair value of the fixed rate loan notes.

22 Financial commitments

Financial commitments as at 31 December 2016, which have not been accrued, for the Group and the Company totalled £28.5m (£43.9m).These were in respect of uncalled subscriptions in investments in our private equity portfolio structured as limited partnerships (LP). These LP commitments, which can include recallable distributions received, 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:

£000	Group and Company Dec 16	Group and Company Dec 15
< 1 year	**1,722**	1,446
1-5 years	**18,208**	33,511
5-10 years	**8,555**	8,930
	28,485	43,887

The Company has provided letters of comfort in connection with banking facilities made available to certain of its subsidiaries. The Company provided letters to AT2006 and ATREP GP confirming ongoing support for at least 12 months from the date the annual financial statements were signed, to make sufficient funds available if needed to enable them to continue trading, meet commitments and not to seek repayment of any amounts outstanding.

The Company provides ongoing regulatory support for ATS in the context of its role as a consolidated bank holding company when required.

On 25 March 2011 the Company granted a floating charge of up to £30.0m over its listed investments to the Trustees of the Alliance Trust Companies Pension Fund. The Trustees released the floating charge in December 2016.

23 Financial instruments and Risk

The Strategic Report details the Company’s approach to investment risk management on pages 18 and 19 and the accounting policies on pages 59 to 64 explain the basis on which currencies and investments are valued for accounting purposes.

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

Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the use of debt and equity balances. The Group's and Company’s overall strategy remains unchanged from the year ended 31 December 2015.

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

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

	Group		**Company**	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Debt*	**(238,800)**	(399,000)	**(238,800)**	(399,000)
Cash and cash equivalents	**51,094**	25,153	**49,430**	16,967
Net (debt)	**(187,706)**	(364,847)	**(189,370)**	(373,033)
Net (debt) as % of net assets	**(5.7)%**	(12.7)%	**(5.8)%**	13.0%

* If debt had been valued at par, on a Group and Company basis net debt as a % of net assets would be 5.1% (12.4%) and 5.2% (12.7%) respectively.

Risk management policies and procedures

As an investment trust the Company invests in equities, private equity, financial instruments and its subsidiary businesses for the long term in order to achieve the investment objectives set out on page 5. 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 to 24. The objectives, policies and processes for managing the risks, and the methods used to measure the risks have not changed from the previous accounting year.

23.1 Market Risk

Market risk embodies the potential for both losses and gains and includes currency risk (see note 23.2), interest rate risk (see note 23.3) and other price risk (see note 23.4). Market risk is managed on a regular basis by ATI in its role as AIFM. ATI manages the capital of the Company within parameters set by the Directors on investment and asset allocation strategies and risk. These activities performed by ATI are overseen by the Board Management Engagement Committee.

The Company’s strategy on investment risk is outlined in our statement of investment objectives and policy on page 5.

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

23.2 Currency Risk

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

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

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

23 Financial instruments and Risk

23.2 Currency Risk

Group and Company

Currency Exposure

£000	Overseas investments Dec 16	Net monetary assets Dec 16	Total currency exposure Dec 16	Overseas investments Dec 15	Net monetary assets Dec 15	Total currency exposure Dec 15
US dollar	**1,760,969**	**240**	**1,761,209**	1,481,269	740	1,482,009
Euro	**399,530**	**-**	**399,530**	396,450	-	396,450
Yen	**173,188**	**-**	**173,188**	178,833	-	178,833
Other non-sterling	**514,158**	**-**	**514,158**	437,114	-	437,114
	2,847,845	**240**	**2,848,085**	2,493,666	740	2,494,406

Sensitivity analysis

If Sterling had strengthened by 10% (5%) relative to all currencies, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis is performed on the same basis as for the year ended 31 December 2015. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Income Statement				
Revenue return	**(5,976)**	(2,936)	**(5,976)**	(2,936)
Capital return	**(284,784)**	(124,683)	**(284,784)**	(124,683)
Net Assets	**(290,760)**	(127,619)	**(290,760)**	(127,619)

A 10% (5%) weakening of Sterling against the above currencies would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

23.3 Interest Rate Risk

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

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

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

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Exposure to floating interest rates				
Cash at bank	**51,094**	25,153	**49,430**	16,967
Bank loans repayable within one year	**(120,000)**	(290,000)	**(120,000)**	(290,000)
	(68,906)	(264,847)	**(70,570)**	(273,033)

Sensitivity analysis

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

23 Financial instruments and Risk

23.3 Interest Rate Risk

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Income statement				
Revenue return	**64**	431	**68**	451
Capital return	**109**	233	**109**	233
Net Assets	**173**	664	**177**	684

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

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Income statement				
Revenue return	**(63)**	(429)	**(67)**	(449)
Capital return	**(109)**	(233)	**(109)**	(233)
Net Assets	**(172)**	(662)	**(176)**	(682)

23.4 Other Price Risk

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

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

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

Concentration of exposure to other price risks

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

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

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Investments at fair value through Profit & Loss				
Listed	**3,157,042**	2,930,872	**3,157,042**	2,930,872
Foreign exchange contracts	**6,853**	-	**6,853**	-
Unlisted	**47,444**	47,778	**47,444**	47,778
Investments in Collective Investment Schemes	**93,027**	158,009	**93,027**	158,009
Investments in Related and Subsidiary Companies	**169,799**	170,738	**169,831**	173,012
	3,474,165	3,307,397	**3,474,197**	3,309,671

Sensitivity analysis

93.7% (93.3%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% with all other variables remaining constant, the income statement result and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis for last year assumed a share price decrease of 10%.

23 Financial instruments and Risk

23.4 Other Price Risk

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Income statement				
Revenue return	**-**	-	**-**	-
Capital return	**(325,692)**	(308,888)	**(325,692)**	(308,888)
Net Assets	**(325,692)**	(308,888)	**(325,692)**	(308,888)

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

23.5 Credit Risk

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

This risk is managed as follows:

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

The Group minimises credit risk through banking polices which restrict banking deposits to highly rated financial institutions. The policies also set maximum exposure to individual banks.

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

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

	Group		Company	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Credit Rating				
Aa1	**47,879**	15,248	**47,879**	15,248
A3	**3,215**	9,905	**1,551**	1,719
	51,094	25,153	**49,430**	16,967
Average maturity	**1 day**	1 day	**1 day**	1 day

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

23.6 Liquidity Risk

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

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

£000	**Dec 16**	**Expires**	**Dec 15**	**Expires**
Committed multi currency facility - RBS	**100,000**		100,000	31/12/2018
Amount drawn	**-**	-	-	-
Committed multi currency facility - RBS	**-**		-	
Amount drawn	**-**	-	-	-
Committed multi currency facility - RBS	**50,000**	**31/12/2016**	50,000	31/12/2016
Amount drawn	**-**	-	-	-
Committed multi currency facility - RBS	**100,000**	**31/03/2017**	100,000	31/03/2017
Amount drawn	**100,000**	-	90,000	-
Committed multi currency facility - Scotiabank	**100,000**	**27/03/2018**	100,000	27/03/2018
Amount drawn	**20,000**	**-**	100,000	-

23 Financial instruments and Risk

23.6 Liquidity Risk

£000	Dec 16	Expires	Dec 15	Expires
Committed multi currency facility - Scotiabank	**-**		-	
Amount drawn	**-**	**-**	-	-
Committed multi currency facility - Scotiabank	**100,000**	**22/12/2017**	100,000	22/12/2017
Amount drawn	**-**	**-**	100,000	-
Unsecured fixed rate loan notes*	**100,000**	**31/07/2029**	100,000	31/07/2029
Amount drawn	**100,000**	-	100,000	-
Total facilities	**550,000**		550,000	
Total drawn	**220,000**	**-**	390,000	-

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

* The fair value of fixed rate loan notes is shown in note 15.

23.7 Gearing Risk

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

	Group		Company	
£000	Dec 16	Dec 15	Dec 16	Dec 15
Investments after gearing	**3,474,165**	3,307,397	**3,474,197**	3,309,671
Gearing*	**(238,800)**	(399,000)	**(238,800)**	(399,000)
Investments before gearing	**3,235,365**	2,908,397	**3,235,397**	2,910,671

* Gearing is expressed as debt at fair value

Sensitivity analysis

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

	Group		Company	
£000	Dec 16	Dec 15	Dec 16	Dec 15
Income Statement				
Revenue return	**-**	-	**-**	-
Capital return	**(23,800)**	(39,000)	**(23,800)**	(39,000)
Net Assets	**(23,800)**	(39,000)	**(23,800)**	(39,000)

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

23.8 Hierarchical Valuation of Financial Instruments

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

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

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

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

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

The following table analyses the fair value measurements for the Group's and Company's assets and liabilities measured by the level in the fair value hierarchy in which the fair value measurement is categorised at 31 December 2016. All fair value measurements disclosed are recurring fair value measurements.

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

Group valuation hierarchy fair value through profit and loss

	As at 31 December 2016				As at 31 December 2015			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	**3,250,069**	**-**	**-**	**3,250,069**	3,088,881	-	-	3,088,881
Foreign exchange contracts	**-**	**6,853**	**-**	**6,853**	-	-	-	-
Unlisted investments								
Private equity	**-**	**-**	**113,007**	**113,007**	-	-	125,254	125,254
Alliance Trust Savings	**-**	**-**	**61,500**	**61,500**	-	-	54,000	54,000
Alliance Trust Finance (in liquidation)	**-**	**-**	**-**	**-**	-	-	720	720
Alliance Trust Investments	**-**	**-**	**28,276**	**28,276**	-	-	19,800	19,800
Mineral rights	**-**	**-**	**13,187**	**13,187**	-	-	17,535	17,535
Other	**-**	**-**	**1,273**	**1,273**	-	-	1,207	1,207
	3,250,069	**6,853**	**217,243**	**3,474,165**	3,088,881	-	218,516	3,307,397

Company valuation hierarchy fair value through profit and loss

	As at 31 December 2016				As at 31 December 2015			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	**3,250,069**	**-**	**-**	**3,250,069**	3,088,881	-	-	3,088,881
Foreign exchange contracts	**-**	**6,853**	**-**	**6,853**	-	-	-	-
Unlisted investments								
Private equity	**-**	**-**	**113,007**	**113,007**	-	-	125,254	125,254
Alliance Trust Savings	**-**	**-**	**61,500**	**61,500**	-	-	54,000	54,000
Alliance Trust Finance (in liquidation)	**-**	**-**	**-**	**-**	-	-	720	720
Alliance Trust Investments	**-**	**-**	**28,276**	**28,276**	-	-	19,800	19,800
Mineral rights	**-**	**-**	**13,187**	**13,187**	-	-	17,535	17,535
Other	**-**	**-**	**1,305**	**1,305**	-	-	3,481	3,481
	3,250,069	**6,853**	**217,275**	**3,474,197**	3,088,881	-	220,790	3,309,671

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

Fair Value Assets in Level 1

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

Fair Value Assets in Level 2

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

Fair Value Assets in Level 3

Level 3, excluding the valuations of the subsidiaries, are reviewed at least annually by the Valuation Committee of ATI. The valuations of the two trading subsidiaries, ATI and ATS are reviewed at least annually by the Audit and Risk Committee with valuations recommended to the Board of the Company. The ATI Valuation Committee considers the appropriateness of the valuation models, inputs, using the various valuation methods in accordance with the Group's valuation policy. The Committee will determine the appropriateness of any valuation of the underlying assets.

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

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

£000	Group		Company	
	Dec 16	**Dec 15**	**Dec 16**	**Dec 15**
Balance at 1 January	**218,516**	232,531	**220,790**	232,609
Net (loss)/gain from financial instruments at fair value through profit or loss	**3,793**	(16,556)	**1,551**	(14,360)
Purchases at cost	**18,629**	42,908	**18,629**	42,908
Sales proceeds	**(37,308)**	(38,175)	**(37,308)**	(38,175)
Realised (loss)/gain on sale	**13,613**	(2,192)	**13,613**	(2,192)
Balance at 31 December	**217,243**	218,516	**217,275**	220,790

Investments in subsidiary companies (Level 3) are valued in the Group accounts at £169.8m (£170.7m) and in the Company's accounts at £169.8m (£173.0m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association issued in December 2015 and where applicable external valuations. This includes a valuation of ATS at £61.5m (£54.0m). This represents the Directors' view of the amount for which the subsidiary could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the Company currently has any intention to sell the subsidiary business in the future. The Directors have used several valuation methodologies as prescribed in the guidelines to arrive at their best estimate of fair value including discounted cash flow calculations, revenue and earnings multiples and recent market transactions where available.

For 31 December 2016 the fair valuation of ATI is based on the recently announced transaction to sell ATI to Liontrust Asset Management PLC. The valuation is based on the fair value of Liontrust shares to be used to fund the transaction and the expected net asset value of ATI excluding any contingent amounts. (note 10)

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

- Alliance Trust Savings - This is valued as a trading business. For the fair valuation of ATS at 31 December 2016 the Audit and Risk Committee took advice from an external valuer in arriving at the fair value of ATS. The Audit and Risk Committee challenged the range of values provided and after fully reviewing the methodology and assumptions the Committee approved the reported valuation. An internal model prepared by management using a discounted cash flow has been used for comparative purposes.

The multiples applied in valuing our subsidiary are derived from comparable companies sourced from market data.

Mineral rights are carried at fair value and are valued in the Company's accounts at £13.2m (£17.5m) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the Oklahoma Tax Commission and for non-producing properties, the Lierle US Price Report.

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

£000 Investment	Fair Value at Dec 16	Valuation Method	Unobservable inputs	Input	Input sensitivity +/-	Change in valuation +/-
Alliance Trust Savings	**61,500**	Discounted cash flow	DCF discount rate	**12.5%**	0.5	3,800/(3,500)
Mineral Rights	**13,187**	Oklahoma Tax Commission multiples and Lierle US Price report (for non-producing properties).	Revenue multiple - gas	**7**	1	933/(933)
			Revenue multiple - oil	**4**	1	363/(363)
			Revenue multiple - products/condensate	**4**	1	760/(760)
			Average bonus multiple non-producing	**1**	0.5	1,158/(1,158)

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

For the 31 December 2016 and 2015 fair valuations of ATS the Board has taken advice from an external valuer. This approach was taken subsequent to the purchase of Stocktrade and the decision to use an external valuer is to apply a degree of independence and external challenge into the valuation. The external valuation was compared against internal valuations models prepared by management.

Private equity investments, both fund-to-fund and direct included under Level 3, are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in December 2015. Unlisted investments in private equity are stated at the valuation as determined by the Valuation Committee based on information provided by the General Partner. The General Partner's policy in valuing unlisted investments is to carry them at fair value. The General Partner will generally rely on the fund's investment manager's fair value at the last reported period, rolled forward for any cashflows. However if the General Partner does not feel the manager is reflecting a fair value they will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair

23 Financial instruments and Risk

23.8 Hierarchical Valuation of Financial Instruments

value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are:

• Price of a recent investment

• Multiples

• Net assets

• Industry valuation benchmarks

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). ATI receives information from the General Partner on the underlying investments which is subsequently reviewed by the Valuation Committee. Where the Valuation Committee does not feel that the valuation is appropriate, an adjustment will be made.

From 1 January 2016 unsecured fixed rate loan notes are recognised at fair value. In 2015 the fixed rate loan notes were initially recognised at a carrying value equivalent to the proceeds received net of issue costs associated with the borrowings. As disclosed in the accounting policies note the 2015 opening and closing valuations have been restated at fair value.

After initial recognition, unsecured fixed rate loan notes are subsequently measured at amortised cost using the effective interest rate method. The effective rate of interest is 2.47%.

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

24 Share Based Payments

The Group operated the share based payment schemes:

All Employee Share Ownership Plan ('AESOP')

Employees could receive up to £3,600 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. No such awards were made in 2016. In 2015 the charge to the income statement for these awards was £312,000. The total costs for the AESOP for all staff are borne by the Company as the award is based on key performance metrics and criteria relating to the Company. On this basis the AESOP cost has not been recharged to subsidiary companies.

Long Term Incentive Plan ('LTIP')

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

In the year ended 31 December 2016, no new awards were made.

In the year to 31 December 2015 participating employees applied a proportion of their annual cash bonuses for the year ended 31 December 2014 to purchase 98,002 shares of Alliance Trust PLC at a price of £5.10 per share. Matching awards of up to 317,880 shares and performance awards of up to 552,263 were granted. Matching awards and performance awards made were valued at £588,000 and £1,022,000 respectively. The fair value of the awards granted during 2015 was calculated using a binomial methodology. The assumptions used were a share price of £5.07, share price volatility of 11% based on a long term dividend yield of 2.08%, comparator group share price correlation of 40%, risk free interest rate of 0.94% and forfeiture of Nil.

The cumulative credit to the income statement during the year for the cost of the LTIP awards referred to above was £1,000 (£52,000 charge). In the year to 31 December 2016 a £70,000 credit (£473,000 charge) was recognised in reserves in relation to equalisation of amounts carried forward from the prior year. These charges related to the Company only.

As a result of the transfer of staff employment contracts to ATI and ATS the cumulative incentive plan reserves as at 31 December 2015 were transferred to the respective new employing company. The 2016 LTIP expense recorded by the Company relates to the previous Chief Executive who left in 2016 and staff made redundant in 2015 who were classed as good leavers.

In accordance with IFRS 2 the costs of matching and performance awards for each plan are expensed over the three year performance period.

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

Deferred Bonus Award

The Deferred Bonus Award is a discretionary plan for FCA code staff in subsidiaries, where they are required to defer 50% of an annual bonus award for 3 years. Shares in the Company are awarded up to the value of the deferred award and are held by the Employee Benefit Trust. The award, granted over shares in the Company vests in full or in part at the end of the three year holding period subject to there being no material misstatement or fraud in the results of the year that the grant relates to. The cost of all awards are reflected in the subsidiaries.

24 Share Based Payments

Movements in options

Movements in options granted under the LTIP are as follows:

£000	Group December 2016 Number of options	Group December 2016 Weighted average exercise price	Group December 2015 Number of options	Group December 2015 Weighted average exercise price
Outstanding at 1 January	**2,394,619**	£0.00	2,912,170	£0.00
Granted during year	**85,102**	£0.00	870,143	£0.00
Exercised during year	**(188,111)**	£0.00	(245,668)	£0.00
Forfeited during year	**(9,686)**	£0.00	(343,545)	£0.00
Expired during year	**(556,091)**	£0.00	(798,481)	£0.00
Outstanding at 31 December	**1,725,833**	£0.00	2,394,619	£0.00
Exercisable at 31 December	**-**	£0.00	-	£0.00

The weighted average remaining contractual life of the options outstanding at 31 December 2016 was 745 days (577 days).

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

25 Pension Scheme

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

The Alliance Trust Companies' Pension Fund (the 'Scheme') is a funded defined benefit pension scheme which was closed to future accrual on 2 April 2011. On 31 May 2016 the Trustees of the Scheme purchased an annuity with Legal & General. The purpose of this transaction was to align the assets of the Scheme with long term liabilities and to reduce risk on long term liabilities.

The disclosures which follow relate to the Scheme.

Participating Employer

ATSL 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 2015 although for the purpose of these calculations the results of the 1 April 2015 valuation have been updated on an approximate basis to 31 December 2016. Valuations are on the projected unit credit method.

In May 2016 the Board decided to inject £19.2m into the Scheme to fund the purchase of an annuity policy with Legal & General to match the Scheme's liabilities to its members. The annuity was purchased by the Trustees of the Scheme on 31 May 2016. The SOCI reports a defined benefit plan net actuarial loss of £26.6m. This is attributable to the £19.2m annuity purchase, a £0.2m employer contribution, a £0.4m IAS 19 credit recognised in the Income Statement and a £6.8m reduction of the Pension Scheme surplus.

Risks

Following the purchase of the group annuity policy the principal risks the Scheme typically exposes the Group to are as follows:

- Covenant risk: There is a risk that the insurance companies providing the annuities will fail, following which the responsibility for making the benefit payments under the Scheme would remain with the Scheme (and ultimately the Company). This risk is mitigated as in the event of insurer insolvency, the Financial Services Compensation Scheme would apply, providing some protection to the Scheme.

- Investment risk: The risk of the Scheme failing to hold investments to match the liabilities of the Scheme is extinguished by holding annuities. Any failure of an insurance company involved could however return this risks to the Scheme.

- Actuarial risk: The Trustees are aware that there are actuarial risks associated with the longevity of the members, interest rates and inflation. Although these are now matched by annuities this does not however totally remove actuarial risk, as any failure of an insurance company involved could return these risks to the Scheme.

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

£000	31 December 2016	31 December 2015
Defined benefit obligation at start of year	**37,119**	38,783
Past service cost	**139**	-
Interest	**1,398**	1,330
Actuarial losses/(gains)	**16,303**	(1,389)
Benefits paid	**(690)**	(1,605)
Defined benefit obligation at end of year	**54,269**	37,119

25 Pension Scheme

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

The Group has no unfunded pension obligations.

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

£000	31 December 2016	31 December 2015
Fair value of assets at start of year	**44,001**	43,980
Interest income	**2,088**	1,537
Actuarial losses	**(10,334)**	(1,411)
Contributions by employer	**19,400**	1,500
Benefits paid	**(690)**	(1,605)
Administration costs	**(113)**	-
Fair value of assets at end of year	**54,352**	44,001

Total credit recognised in the income statement

£000	31 December 2016	31 December 2015
Past service cost	**139**	-
Interest on Scheme liabilities	**1,398**	1,330
Interest income	**(2,088)**	(1,537)
Operating cost	**113**	-
Total credit	**(438)**	(207)

As a result of the closure of the defined benefit pension scheme to future accrual in the period ended 31 December 2011, the Company and the Group benefited from a gain to the Income Statement.

(Losses)/gains recognised in the statement of comprehensive income

£000	31 December 2016	31 December 2015
Difference between expected and actual return on the Scheme assets:		
Amount	**(10,334)**	(1,411)
Percentage of Scheme assets	**19%**	3%
Experience gains arising on the Scheme liabilities:		
Amount	**-**	4,857
Percentage of present value of Scheme liabilities	**-%**	13%
Effects of changes in the financial assumptions underlying the present value of the Scheme liabilities:		
Amount	**(14,430)**	(1,138)
Percentage of present value of Scheme liabilities	**27%**	3%
Effects of changes in the demographic assumptions underlying the present value of the Scheme liabilities:		
Amount	**(1,873)**	(2,330)
Percentage of present value of Scheme liabilities	**4%**	6%
Total amount recognised in statement of comprehensive income:		
Amount	**(26,637)**	(22)
Percentage of present value of Scheme liabilities	**52%**	-%

25 Pension Scheme

Assets

£000	31 December 2016	31 December 2015	31 December 2014
Equities	-	17,601	22,395
Bonds	-	21,120	21,251
Other	**54,352**	5,280	334
	54,352	44,001	43,980

Other assets includes cash of £0.1m (2015 £5.3m) and an insurance policy of £54.2 million (2015 £nil).

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

Actual return on the Scheme assets

The actual return on the Scheme assets over the year ended 31 December 2016 was a loss of 15% (gain of 0.3%).

Assumptions

%	31 December 2016	31 December 2015	31 December 2014
Retail Price Index Inflation	**3.65**	3.50	3.00
Consumer Price Index Inflation	**2.75**	2.60	2.10
Rate of discount	**2.70**	3.80	3.50
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a.)	**3.50**	3.35	2.90
Allowance for revaluation of deferred pension of RPI (subject to a maximum increase of 5% p.a.)	**2.75**	2.20	2.10

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

We have assumed that the long term CPI assumption is 0.9% lower than the corresponding RPI assumption. The mortality assumptions, adopted at 31 December 2016, follow the S2PA table, using 80% of the base table with CMI_2014 mortality projections with improvement subject to a 1.5% minimum to the annual improvement. The assumptions imply the following life expectancy from age 65.

The weighted average duration of the defined benefit obligation is around 26 years.

Mortality assumptions	31 December 2016 Years	31 December 2015 Years
Male currently age 45 at 65	**26.9**	26.8
Female currently age 45 at 65	**29.1**	29.0
Male currently age 65	**24.7**	24.6
Female currently age 65	**26.8**	26.7

Sensitivities

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

Assumption	Change in assumption	Estimated impact on scheme liabilities	Change in assumption	Estimated impact on scheme liabilities
	Increase	(Decrease)/Increase	Decrease	Increase/(Decrease)
Discount rate	0.5%	(£6,509,000)	0.5%	£7,749,000
RPI	0.5%	£5,882,000	0.5%	(£6,059,000)
Age of member	1 year	(£1,792,000)	1 year	£1,795,000

£000	31 December 2016	31 December 2015	31 December 2014
Present value defined benefit obligation	**54,269**	37,119	38,783
Fair value of Scheme assets	**54,352**	44,001	43,980
Surplus in Scheme	**83**	6,882	5,197

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 £30.4m (£3.8m).

All actuarial gains and losses are recognised immediately.

25 Pension Scheme

Best estimate of contributions to be paid to scheme for the year ending 31 December 2016

The Scheme closed to accrual on 2 April 2011. The Company paid contributions in the year of £19.4m represented by a £19.2m to fund the bulk annuity purchase with Legal & General Group PLC and a £0.2m contribution in line with the previous recovery plan.

Amounts for the current and previous years

£000	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12
Fair value of assets	**54,352**	44,001	43,980	38,986	34,616
Defined benefit obligation	**54,269**	37,119	38,783	33,907	30,311
Surplus in Scheme	**83**	6,882	5,197	5,079	4,305
Experience adjustment on Scheme liabilities	**-**	4,857	10	(41)	546
Experience adjustment on Scheme assets	**(10,334)**	(1,411)	2,617	1,973	383
Effects of changes in the demographic and financial assumptions underlying present value of the Scheme liabilities	**(16,303)**	(3,468)	(4,133)	(2,807)	(1,334)

26 Operating lease commitments

As at 31 December 2016 the Group and Company had total future minimum lease payments under non cancellable operating leases as follows:

	31 December 2016		31 December 2015	
Group **£000**	**Land and buildings**	**Other**	**Land and buildings**	**Other**
Lease commitments due				
< 1 year	**-**	**-**	-	3
Between 2-5 years	**468**	**48**	787	1
After 5 years	**1,863**	**-**	2,084	-

	31 December 2016		31 December 2015	
Company **£000**	**Land and buildings**	**Other**	**Land and buildings**	**Other**
Lease commitments due				
Within 1 year	**-**	**-**	-	3
Between 2-5 years	**468**	**48**	787	1
After 5 years	**1,863**	**-**	2,084	-

27 Post Balance Sheet Events

Repurchase of Shares

As disclosed on page 7 the Company announced that it had entered into an agreement, subject to shareholder approval, with Elliott International, LP, the Liverpool Limited Partnership and Elliott Associates LP (collectively “Elliott”) the Company’s largest beneficial shareholders) to purchase the 95,478,576 Ordinary Shares over which Elliott had direct control or to which it had an economic exposure (through contracts for difference, in five tranches each at a 4.75 per cent. discount to Net Asset Value). The repurchase, which was approved at the General Meeting of the Company on 28 February 2017, has been completed on these terms.

Approval of New Approach to Investment Management

As disclosed on page 3, following approval by shareholders on 28 February 2017, the Board confirmed the new multi investment manager approach to managing the Trust’s equity portfolio, effective from 1 April 2017.

Information for shareholders

Incorporation

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

The Company's Register of Members is held at

Computershare Investor Services PLC,
Leven House, 10 Lochside Place,
Edinburgh Park, Edinburgh EH12 9DF

General Enquiries

If you have an enquiry about the Company, or wish to receive a paper copy of our Annual Report, please contact the Company Secretary at our registered office:

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

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

Investor Relations

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

Our website www.alliancetrust.co.uk contains information about the Company, including daily share price and net asset value.

Registrars

Our registrars are:

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

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

Data Protection

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

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

Annual Report and Electronic Communications

We only send paper Annual Reports to shareholders who have asked us to do so. All shareholders receive notices of our meetings and information on how to access our Annual Report. Shareholders can opt to receive all notifications electronically by going to www.alliancetrust.co.uk/ec.htm which will provide a link to our registrars' website.

Taxation

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

Income Tax

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

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

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

Capital Gains Tax

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

Share investment

Alliance Trust PLC invests primarily in equities and aims to generate capital growth and a progressively rising dividend from its portfolio of investments.

Alliance Trust currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The shares in Alliance Trust may also be suitable for institutional investors who seek a combination of capital and income return. Private investors should consider consulting an independent financial advisor who specialises in advising on the acquisition of shares and other securities before acquiring shares.

Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

Risks

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

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

Bogus telephone calls

We have become aware of a numbers of telephone calls being made to shareholders wherein the caller offers to buy the recipient's shares at a price significantly above the current market price. We are prohibited from advising shareholders on whether to buy or to sell shares in Alliance Trust PLC, but recommend that if you wish to sell your shares you only deal with a financial services firm that is authorised by the FCA.

Annual General Meeting

The 129th Annual General Meeting of the Company will be held at 11.00am on Friday 27 April 2016 at the Gardyne Theatre, Dundee and Angus College, Gardyne Road, Dundee DD5 1NY. The Notice of Meeting, detailing the business of the meeting, is sent to all shareholders.

Financial calendar

Proposed dividend payment dates for the financial year to 31 December 2017 are on or around:

- 30 June 2017
- 2 October 2017
- 2 January 2018
- 31 March 2018

Dividend Tax Allowance

From April 2016 dividend tax credits have replaced by an annual £5,000 tax-free allowance across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. Our Registrars provide registered shareholders with a confirmation of the dividends paid by Alliance Trust PLC and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the Shareholder's responsibility to include all Dividend Income when calculating tax requirements.

If you have any Tax queries, please contact your Financial Advisor.

Common Reporting Standards

Since January 2016 you may have received requests from our Registrar for personal information to comply with legal obligations introduced to reduce tax evasion. While it is not compulsory that you complete and return these requests we are required by law to make these requests and to report on the responses received to the HMRC.

Please note that only a small number of our shareholders fall into the category where we have to make these requests. If you have any queries on the validity of any document received from our registrars you can contact them directly on 0870 889 3187.

10 year record

A ten year record of the Company's Financial Performance is provided below. Prior to the financial year ended 31 January 2007 there were two trusts, The Alliance Trust and The Second Alliance Trust, and the figures are therefore not directly comparable.

Assets £m as at	31 Jan 2008	31 Jan 2009	31 Jan 2010	31 Jan 2011	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016
Total assets	2,894	2,211	2,704	3,268	2,676	2,702	3,478	3,415	3,351	3,541
Loans	(159)	(50)	(160)	(339)	(249)	(200)	(380)	(380)	(390)	(220)
Net assets	2,699	2,123	2,513	2,895	2,400	2,491	2,886	3,019	2,948	3,284
Net asset value (p)										
NAV per share	402.3	316.8	377.7	439.0	405.8	444.9	516.5	544.8•	559.0•	667.5•
NAV total return on 100p – 10 years*								210.7	178.6	198.3
Share price (p)										
Closing price per share	338.0	268.0	313.0	364.0	342.8	375.3	450.1	478.9	517.0	638.0
Share price High	386.2	353.7	337.0	377.9	392.7	383.5	464.2	481.1	528.5	641.5
Share price Low	321.2	218.0	233.0	293.5	310.2	337.0	375.3	426.0	440.1	447.3
Total shareholder return on 100p – 10 years*								226.0	197.0	225.5
Gearing/net cash (%)										
Gearing	5	–	5	11	7	7	12	11	13	6
Net cash	–	11	–	–	–	–	–	–	–	–

		Year ended 31 January			11 mths to 31 Dec		Year ended 31 December			
Revenue	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Profit after tax	£61.5m	£69.5m	£61.1m	£63.8m	£61.9m	£55.6m	£60.6m	£68.8m	£60.2m	£65.9m
Earnings per share	9.17p	10.37p	9.14p	9.67p	9.87p	9.74p	10.83p	12.38p	12.43p†	12.77p
Dividends per share	7.90p	8.00p	8.15p	8.395p	9.00p	9.27p	9.55p	9.83p	10.97p	12.77p
Special dividend	–	0.50p	–	–	–	0.36p	1.28p	2.546p	1.46p$^{\Delta}$	

Performance (rebased at 31 Jan 2007) as at	**31 Jan 2008**	**31 Jan 2009**	**31 Jan 2010**	**31 Jan 2011**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2016**
NAV per share	95	75	90	104	96	106	123	130	133	158
Closing price per share	92	73	86	100	94	103	123	131	141	174
Earnings per share	106	120	106	112	117	112	125	143	143	147
Dividends per share (excluding special)	104	106	108	111	119	122	126	130	145	169

		Year ended 31 January			11 mths 31 Dec		Year ended 31 December			
Cost of running the Company	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Administrative expenses	£15.0m	£16.8m	£16.0m	£17.0m	£16.0m	£18.7m	£21.5m	£20.8m	£23.9m	£18.8m
Ongoing charges ratio (excluding capital incentives***)	0.42%	0.60%	0.64%	0.53%	0.56%**	0.67%	0.75%	0.60%	0.59%	0.43%
Capital incentives	0.03%	0.07%	0.05%	0.07%	0.04%	0.04%	0.05%	0.04%	0.04%	–
Ongoing charges ratio (including capital incentives***)	0.45%	0.67%	0.69%	0.60%	0.60%**	0.71%	0.80%	0.64%	0.63%	0.43%

•With debt at fair value
*Source: Morningstar UK Ltd
†Includes capital dividend paid December 2015
$^{\Delta}$Capital dividend paid December 2015
**Administrative expenses have been annualised given the financial reporting period was for 11 months, except for incentives which were on an actual basis
***The AIC's recommended methodology for the calculation of an Ongoing Charges figure states that for self-managed companies costs relating to compensation schemes which are linked directly to investment performance should be excluded from the calculation of the principal Ongoing Charges figure.

Contact

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