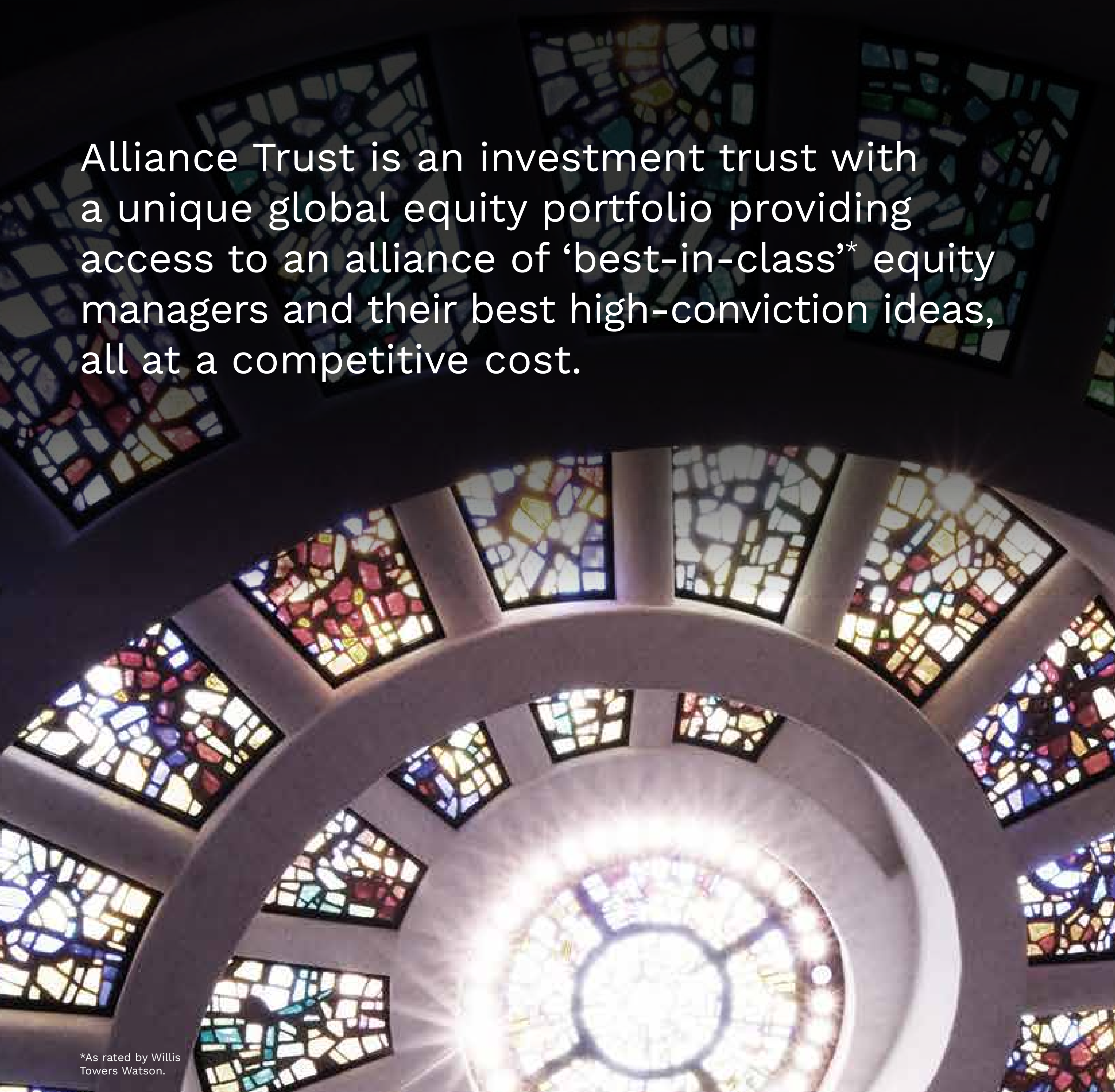
Alliance Trust INVESTING FOR GENERATIONS

ANNUAL REPORT 2017

Annual Report for the year ended 31 December 2017



Alliance Trust is an investment trust with a unique global equity portfolio providing access to an alliance of 'best-in-class'* equity managers and their best high-conviction ideas, all at a competitive cost.

*As rated by Willis Towers Watson.

CONTENTS

OUR PERFORMANCE IN 2017

The Equity Portfolio outperformed its target, producing a total return of 18.0%[1] compared to the MSCI ACWI[†] which returned 13.8%.

2017 has been a transformational year for Alliance Trust. Following the strategic review in 2016, and shareholder approval of the Board's proposals, the Trust has successfully transitioned to a new approach – a global alliance of high-conviction equity managers – aiming to achieve more consistent outperformance at a competitive cost, while maintaining a progressive dividend policy.

Performance since 1 April, when the new investment approach was adopted, has been encouraging and the Board believes the foundations are in place to deliver strong and sustainable performance for shareholders for generations to come.

- Share price at 31 December 2017 was 746.5p, up 17.0% from 638.0p at 31 December 2016
- Net Asset Value (NAV) per share at 31 December 2017 was 777.7p[2], up 16.5% from 667.5p[2] at 31 December 2016
- Total Shareholder Return[1] for 2017 was 19.2% (2016: 26.4%)
- Ongoing Charges Ratio (OCR)[1] for 2017 was 0.54%, or 0.62% from 1 April when our new investment approach was adopted. The higher percentage reflects the new investment approach, higher buyback activity in the first quarter and a lower NAV. We remain below our maximum OCR target of 0.65%
- The Board has delivered on its commitment to execute share buybacks when it believes it is beneficial to shareholders to do so. In addition to the purchase from Elliott, the Trust purchased 49.6m shares at a cost of £339.7m
- The Trust now has over 50 years of consecutive dividend growth with total ordinary dividend[2] for 2017 at 13.16p, an increase of 3% compared with 2016 ordinary dividend of 12.774p
- The Equity Portfolio aims to outperform the MSCI All Country World Index (ACWI) by 2% per year after costs over rolling three-year periods. It achieved this in 2017 with a Total Return of 18.0% (2016: 22.9%), compared to the MSCI ACWI at 13.8% (2016: 29.4%)

Our other Key Performance Indicators (Total Shareholder Return, NAV Total Return, Equity Portfolio Total Return, Discount and Total Dividend) can be found on page 6.

[1]Alternative Performance Measure (refer to Glossary on page 89).

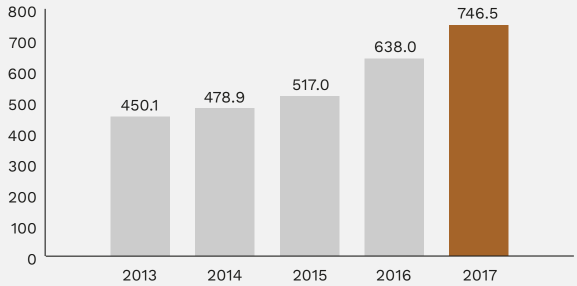
[2]UK GAAP Measure.

†See Glossary on page 89.

FINANCIAL HIGHLIGHTS

SHARE PRICE (PENCE)

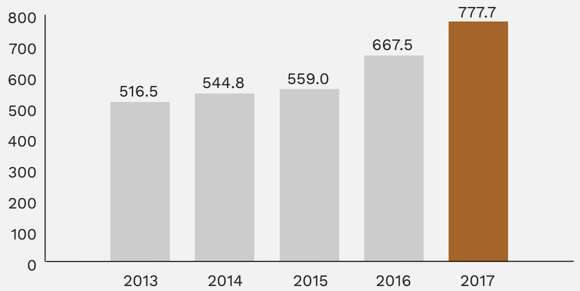
746.5p ↑ 17.0%



Source: FactSet.

NET ASSET VALUE (PENCE)[2]*

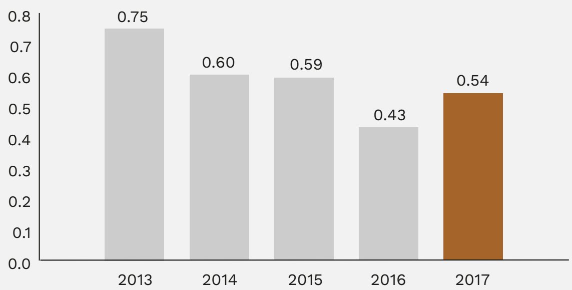
777.7p ↑ 16.5%



Source: FactSet and WTW. *Including income and with debt at fair value.

ONGOING CHARGES RATIO (%)[1]

0.54%



Source: Alliance Trust and WTW.

CHAIRMAN'S STATEMENT

This has been a transformational year for Alliance Trust, as the new approach to managing our equity portfolio was approved by shareholders and implemented in the spring. The early investment performance achieved by this new approach has been encouraging against the backdrop of world markets which have been characterised by macro-economic and political uncertainty. That said, it is still early days and all of us at Alliance Trust recognise our commitment to invest for generations. We look forward with confidence to the opportunities and challenges that 2018 will bring as the new approach becomes more familiar to the market and we develop our track record.

DEVELOPMENTS IN 2017

Following the Board's strategic review of the Trust in 2016, shareholders voted on the proposed new approach to managing the Trust's equity portfolio at a General Meeting in February 2017. We were delighted with the strong support of our shareholders, with over 96% of those who voted being in favour of the change. Following a competitive selection process, we appointed Willis Towers Watson (WTW) as investment manager to manage the Trust's portfolio. WTW appointed eight equity managers and the portfolio underwent transition to the new managers during March 2017 and the new strategy became effective on 1 April.

In January, the Board reached agreement with Elliott, then the Trust's largest shareholder and a related party, to repurchase the shares in which it had a disclosable interest (approximately 20% of the Trust's issued share capital as at December 2016). Approval for this was also granted at the February General Meeting and the repurchase went ahead, resulting in a reduction in the size of the Trust and an uplift in the Net Asset Value (NAV) for other shareholders of around 1%, as well as the removal of a potential share overhang. This development has allowed the Trust to move forward with a more stable shareholder register.

As part of the strategic review, Alliance Trust Investments (ATI), our asset management subsidiary which managed the Trust's portfolio prior to 1 April, was sold to Liontrust Asset Management PLC at what we believe was a fair price. As part of the consideration we received shares in Liontrust, which we sold in January 2018 at a price of 520p per share, representing a significant return of 55.3% on the price of 334.9p at which the shares were issued. We are due to receive a further 1,015,198 Liontrust shares in April 2018, which are subject to a one-year lock-up. When ATI was sold, it was expected that the net proceeds of the sale would be not less than £25m, before any future contingent consideration. We now expect that the net proceeds will be not less than £35m, before any future contingent consideration.

Since the new approach was implemented, the Board has received regular updates from WTW in order to assess its progress. We have also hosted a number of events in conjunction with WTW and refreshed our communications materials in order to provide relevant updates to our shareholders.

A small Executive function was established on 1 April which comprises five members of staff. They provide Company Secretarial services to all Group companies, oversee the work of our outsourced providers and generally support the Board.

THE NEW APPROACH

WTW has brought together eight best-in-class* equity managers from around the world who invest only in their highest-conviction ideas (a maximum of 20 stocks, except for in the emerging markets portfolio where around 50 stocks are held). It is the combination of their individual, high-conviction investment ideas, overseen by WTW, that creates the 'alliance of best ideas' approach that we now talk about when referring to the overall equity portfolio.

Our equity portfolio is targeting outperformance of the MSCI All Country World Index by 2% per annum, net of costs, over rolling three-year periods. WTW selects and manages the underlying managers and monitors their performance as well as providing risk management expertise.

By leveraging the scale of Alliance Trust and WTW, total ongoing charges are 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 more consistently our outperformance target;
- maintain our long track record of growing dividends; and
- maintain the Trust's ongoing competitive cost ratio.

We still hold some Non-Core investments but are actively reviewing our private equity, funds and mineral right holdings with a view to an early disposal, subject to market conditions.

"Alliance Trust was one of the earliest investment trusts to be created back in 1888 and we are now combining our strong heritage with an innovative, high-conviction 'alliance of best ideas' investment proposition. The foundations are firmly in place for the Trust to deliver strong and sustainable performance as we continue to invest for generations."

*As rated by Willis Towers Watson.

PERFORMANCE IN 2017

The Trust has performed well over the year, outperforming the target benchmark. Total Shareholder Return was 19.2%, Net Asset Value (NAV) Total Return was 18.5% and the share price rose 17.0% to 746.5p with the NAV per share increasing 16.5% to 777.7p. Performance since 1 April, when the new investment approach was adopted, has been particularly encouraging and this has been achieved while keeping our ongoing charges below 0.65%.

The expected total gain of £10m from the sale of shares in Liontrust received as part of the consideration for the sale of our subsidiary Alliance Trust Investments, has been more than offset by a reduction in the value of Alliance Trust Savings (ATS). Following a year of poor financial performance, the Directors reduced the fair value of ATS by £23.5m to £38.0m.

ATS has had a challenging year. While the business has continued to attract additional assets and now has more than 110,000 customer accounts, ATS incurred a particularly high level of costs in 2017. These principally related to the transfer of the Stocktrade operations from Edinburgh to ATS's main centre in Dundee and to steps taken to improve the level of customer service. In 2017, ATS generated an operating loss of £6.1m before exceptional expenses. ATS has written down the value of its intangible assets, related to the Stocktrade business, resulting in an exceptional charge of £13.2m. After this charge, ATS's loss for the year was £19.3m.

THE NEW MANAGERS

Shareholders have had the opportunity to meet WTW and some of the equity managers at our last AGM and the various shareholder forums we have held over the year. In addition, there are new videos on our website to give a flavour of who the managers are and their investment styles. It is our intention to continue holding such events for shareholders in 2018 and details will be posted on our website www.alliancetrust.co.uk

Hugh Sergeant from River and Mercantile and George Fraise from Sustainable Growth Advisers (SGA) presented after the AGM in April, when they described their particular investment approaches. River and Mercantile invests in recovery stocks through a systematic and repeatable process, while SGA looks for a balance between quality, growth and valuation to reduce the overall risk of any investment. Following this year's AGM we expect presentations by Bill Kanko from Black Creek Investment Management and Andy Headley of Veritas Asset Management. The presentations will be available on our website after the AGM.

We also launched our new quarterly newsletter, CONNECTION, in the autumn, which included articles from two other managers. Rajiv Jain from GQG Partners discussed matters affecting emerging markets. He sees solid prospects for healthy profits going forward. The team from SGA – George Fraise, Gordon Marchand and Rob Rohn – reflected on how high-quality, secular growth businesses were temporarily out of favour and how this can provide opportunities for their investment style. A copy of the publication is available on our website.

We hope you enjoy reading CONNECTION and accessing our new video content, along with the Trust's new-look website. We welcome any feedback on these materials and the Trust's shareholder engagement activities.

REGULATION

This year has seen the introduction of the Key Information Document (KID), which is available on our website. We believe that this Annual Report, together with the other documents we issue, may be more informative and useful to our shareholders in assessing the risks and benefits of purchasing our shares.

BUYBACKS

In October 2015 the Board committed to narrow materially the Trust's discount to NAV. Share buybacks are one tool used in this context and were available to all shareholders throughout the year. We buy back shares when we believe it is beneficial to shareholders to do so. In addition to the 95.5m shares repurchased during the Elliott transaction, we also repurchased 49.6m shares as part of the ongoing programme.

Our share buyback programme has helped us to maintain an average discount during the year of 5.4% against the Global Investment Trust Sector's 4.3%. We opened the year with a discount of 4.4% and closed the year with a discount of 4.0% (calculated on the published NAV as at 31 December 2017 adjusted for the impact of the Alliance Trust Savings valuation as at that date determined after the year end) against the sector's average of 2.5%.

As supply and demand have moved towards a state of equilibrium, share buybacks have reduced over the course of the year.

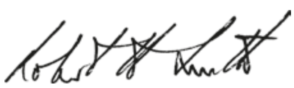
DIVIDEND

The Trust continued to build on its 50 years of consecutive dividend growth in 2017. We are very proud of our dividend track record and the Board is delighted to continue the Trust's progressive dividend policy. We have decided to maintain our progressive dividend, and that we may make use of our revenue reserves when we have unanticipated levels of income we may retain part of it, as we have done this year, or declare a special dividend. The Board declared a dividend of 3.29p per ordinary share, bringing the full year dividend to 13.16p, growth of 3% on the previous year.

IN SUMMARY

While our new high-conviction, multi-manager investment approach has been available to institutions for some time, Alliance Trust brings the approach to a wider audience for the first time. I am pleased that the new approach has already demonstrated it can deliver outperformance at competitive cost.

Looking ahead, 2018 is the Trust's 130th year and the first anniversary of the new investment approach. The Board believes we have the foundations in place to deliver strong and sustainable performance for our shareholders, whatever conditions global markets bring. The new investment approach is a compelling offering and we look forward to continuing to invest for generations to come.



Lord Smith of Kelvin
Chairman

OUR BUSINESS MODEL

WHAT WE DO

We invest in global equities. We also have relatively small investments in:

- Alliance Trust Savings
- Non-core investments†
  - Mineral rights
  - Private equity
  - Liontrust Funds and Investments#

†These are mainly investments that were acquired as part of earlier investment strategies and will be disposed of at the appropriate time.

#Liontrust shares were sold on 24 January 2018. 1,015,198 Liontrust shares will be acquired in April 2018, which will be subject to a one-year lock-up.

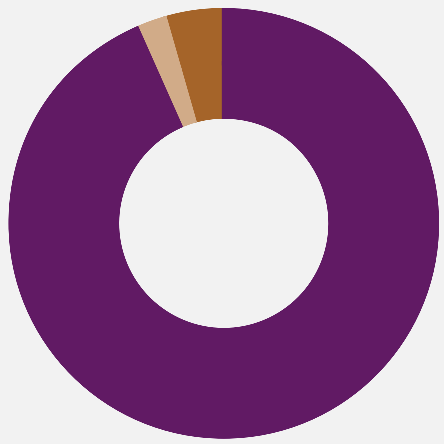
HOW WE MANAGE OUR INVESTMENTS

We have appointed Willis Towers Watson**(WTW) as our investment manager to manage our portfolio and it in turn has appointed a number of equity managers. On the following pages we provide more detail on how each equity manager focuses on a limited number of their top investment selections.

WTW is also tasked with generating income to support our progressive dividend policy where we are one of only four FTSE All-Share Index companies with a record of increasing their ordinary dividend for 50 years or more.

**We explain the legal structure of our arrangements with WTW on page 7.

FOCUSED ON GLOBAL EQUITIES



INVESTMENT STRATEGY

The equity portfolio brings together an alliance of best-in-class* equity managers and their best ideas – all at a competitive cost. It provides access to eight equity managers from around the world, each investing only in their top stock selections.

*As rated by Willis Towers Watson.

Most of these managers are available to individual UK investors only through Alliance Trust. The equity portfolio target is to outperform the MSCI All Country World Index by 2% per year after costs over rolling three-year periods. Alliance Trust has a progressive dividend policy.

INVESTMENT OBJECTIVE AND POLICY

The investment objective and policy allow the Board to adopt an investment strategy that can change to reflect different market conditions and investment styles and is detailed below. As our new Investment approach beds down, we intend to review whether the Company's Investment objective and Policy should be reworded to better reflect our current approach. If a change is proposed, this will go for shareholder approval probably at the Annual General Meeting to be held in 2019.

"Alliance Trust is an investment company with investment trust status. The Trust's objective is to be a core investment for investors seeking increasing value over the long term. The Trust has no fixed asset allocation benchmark and it invests in a wide range of asset classes throughout the world to achieve its objective. The Trust'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 Trust 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 Trust 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 Trust by the regulatory or fiscal regime within which we operate. However, the Trust 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 Trust will use gearing of not more than 30% of its net assets at any given time. The Trust can use derivative instruments to hedge, enhance and protect positions, including currency exposures."

AN ALLIANCE OF BEST IDEAS

Shareholders now have the opportunity to benefit from the best ideas of eight best-in-class* equity managers. They are each responsible for picking a selection of 'high-conviction' equities that they believe are most likely to deliver outperformance over time. They invest only in their very best ideas. Between them, they cover a range of stock-picking styles.

The portfolio is managed by WTW, which balances risk at stock, sector and geographical level. Through it, we appoint multiple equity managers, reducing the risk that is often taken by investors selecting a single, star manager or one particular style that can move in and out of favour. We believe this approach of using several complementary managers investing with high-conviction increases the chances of outperformance.

Restricting equity managers' flexibility is often counter-productive, so our managers are given mandates with as few constraints as possible. They are free to invest in approximately 20 stocks, from wherever in the world they choose.

This approach is complemented by an equity manager responsible for investing in the emerging markets which may involve around 50 stocks. Together, this creates a unique 'alliance of best ideas' of about 200 underlying listed stocks.

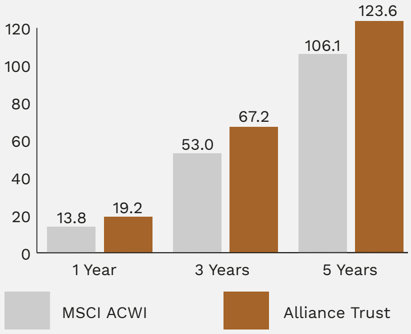
*As rated by Willis Towers Watson.

†"JUPITER" and JUPITER are the trade marks of Jupiter Investment Management Group Ltd and registered in the UK and as Community Trade Marks and elsewhere.

KEY PERFORMANCE INDICATORS – 2017

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

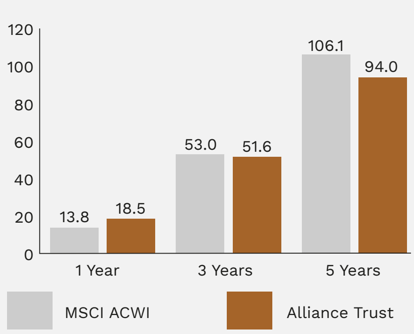
TOTAL SHAREHOLDER RETURN (%)



Source: Morningstar and MSCI Inc.

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

NAV* TOTAL RETURN (%)

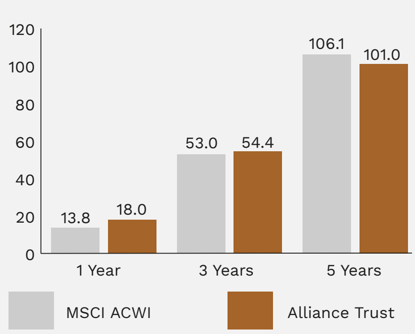


Source: Morningstar and MSCI Inc.

This demonstrates the growth of our total portfolio including non-core investments. Our NAV Total Return in 2016 was 21.5%.

*December 17 return has been adjusted to account for the reduction in the value of Alliance Trust Savings after the year end and is calculated including income and with debt at fair value.

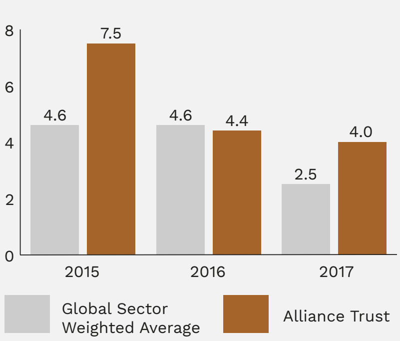
EQUITY PORTFOLIO TOTAL RETURN (%)



Source: BNY Mellon Fund Performance & Risk Analytics Europe Limited and MSCI Inc.

This measures how our equity portfolio investment managers perform. The equity portfolio accounted for 90.7% of our investment portfolio at the year end.

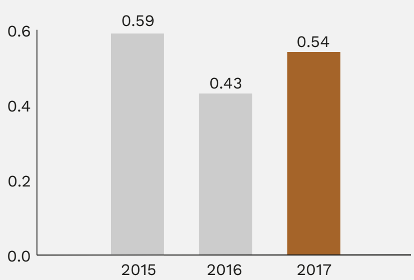
DISCOUNT (%) AS AT 31 DEC



Source: AIC and Morningstar.

This is the difference between the share price of the Trust and its net value and is an indicator of demand for our shares. The discount reported for 2017 is based on the NAV in our audited accounts and includes the valuation of Alliance Trust Savings concluded following the year end. Our published discount on 31 December 2017 was 4.8%.

ONGOING CHARGES (%) AS AT 31 DEC

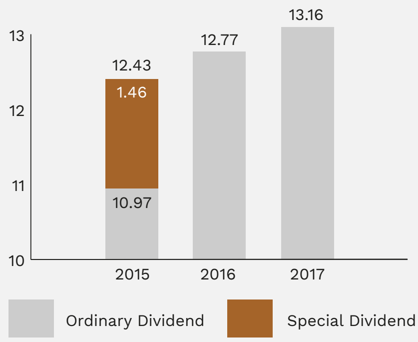


Source: WTW.

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

For more information see Costs and Performance Measures on page 20.

TOTAL DIVIDEND (PENCE) YEAR TO 31 DEC



Source: WTW.

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

For more information see Costs and Performance Measures on page 21.

OUR INVESTMENT MANAGER

ALLIANCE TRUST INVESTMENTS (TO 31 MARCH 2017)

Alliance Trust Investments was the investment manager to 31 March 2017 and had investment discretion until 17 March 2017 when BlackRock Advisors (UK) Limited was appointed to manage the transition. WTW was appointed on 1 April and the eight equity managers then took responsibility for managing their stock selections at various dates until the transition was completed on 12 April.

WILLIS TOWERS WATSON (FROM 1 APRIL 2017)

WTW (NASDAQ: WLTW) is a leading investment group with roots dating back to 1828. The investment business, with 900 associates worldwide, aims to create sustainable competitive advantage for clients in their investment portfolios. This advantage is achieved through finding the best return opportunities, using robust risk management processes and technology and achieving scale advantages.

For Alliance Trust, this advantage is delivered to shareholders through an 'alliance of best ideas' – a combination of eight of Willis Towers Watson's best-in-class* equity managers from across the world, delivering their very best ideas through high-conviction equity selection. The total portfolio is managed by WTW, by balancing risk at the stock, sector and geographical level.

The performance of the equity managers and the overall portfolio including the Non-Core Investments is overseen by WTW's Investment Committee (see below), which is charged with the following responsibilities:

- Drive outperformance of the portfolio
- Monitor and oversee individual manager performance
- Review portfolio blending and risk control
- Implement any gearing and hedging requirements for the portfolio

The Alliance Trust Board has appointed Towers Watson Investment Management (Ireland) Limited (TWIMI) as the Trust's Alternative Investment Fund Manager (AIFM). The AIFM has delegated the management of the Trust's portfolio to Towers Watson Investment Management Limited (TWIM). Both TWIMI and TWIM are members of the WTW group of companies.

*As rated by Willis Towers Watson.

THE WILLIS TOWERS WATSON INVESTMENT COMMITTEE

Craig Baker
Role for Alliance Trust: Chair of Investment Committee

Global Chief Investment Officer at Willis Towers Watson.

22 years' investment experience.

David Shapiro
Role for Alliance Trust: Co-Portfolio Manager

Senior Portfolio Manager at Willis Towers Watson.

23 years' investment experience (17 years as UK Equity Fund Manager).

Mark Davis
Role for Alliance Trust: Co-Portfolio Manager

Head of Portfolio Management for EMEA at Willis Towers Watson.

18 years' investment experience.

Stuart Gray
Role for Alliance Trust: Investment Committee Member

Senior Equity Manager Researcher at Willis Towers Watson.

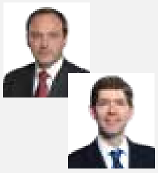
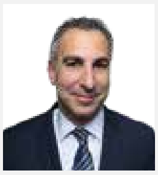
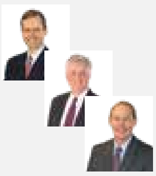
12 years' investment experience.

Together the team brings to bear 75 years of invaluable investment experience. It is supported by a team of about 120 research and portfolio management professionals around the world.

Learn more about the new investment approach at: www.alliancetrust.co.uk/news-items/news/investment-approach/

THE EQUITY MANAGERS

EIGHT OF THE BEST STOCK PICKERS* FROM ACROSS THE WORLD

Manager	Team	Investment Approach
BLACK CREEK INVESTMENT MANAGEMENT INC. 10%	 **Bill Kanko**, Founder and President. Bill was the Lead Manager for the Trimark Fund and Trimark Select Growth Fund, with combined assets of more than $13bn.	The process is to look five to ten years ahead and find stocks across the cap spectrum. **Valuation-orientated buyers of leading businesses** around the world. The approach is long term and **contrarian**.
FPA Investors first 13%	 **Pierre Py and Greg Herr are Co-Portfolio Managers** with an average of 20 years' investing experience.	Long-term approach **seeking companies that have high-quality business models, exhibit financial strength, and strong management with a track record of shareholder alignment and allocating capital in a value-accretive manner**. The team operates a strict value discipline.
GQG PARTNERS 15%†	 **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**, whose underlying strength should outweigh their macro environment and where each company's strength can only truly be understood through bottom-up analysis.
JUPITER 10%	 **Ben Whitmore** has over 20 years of experience and joined Jupiter in 2006. He worked at Schroders, managing both retail and institutional portfolios and around £2bn of assets. Ben is supported by Dermot Murphy, Assistant Fund Manager.	Ben is well known in the market as a long-standing practitioner of **contrarian value** investing. He seeks businesses that are out of favour and under-valued, but have **prominent franchises and sound balance sheets**.
Lyrical ASSET MANAGEMENT, LP 15%	 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 around investing in quality companies, **seeking businesses that it believes will generate attractive returns on their invested capital, are resilient with reasonable debt levels, positive growth, attractive margins, competent management, and the flexibility to react to all phases of the business cycle.**
RIVER AND MERCANTILE ASSET MANAGEMENT 9%	 **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.	Hugh has put in place a process that helps him identify **value at different stages of a company's lifecycle** and to give signals as to when that value might be unlocked. He has shown particular strength in smaller companies and in classic 'Recovery' situations.
SGA Sustainable Growth Advisers 14%	 Sustainable Growth Advisers (SGA) was founded in 2003 by **George Fraise, Gordon Marchand and Rob Rohn** who jointly manage the Trust's portfolio. They average over 30 years of investment experience.	**SGA seeks to identify only those very few truly differentiated global businesses that possess strong pricing power**, offer recurring revenue generation and benefit from attractive, long runways of growth.
Veritas Asset Management 14%	 **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.	The investment process utilises a proprietary Real Return Approach, employed with an absolute return mindset, dispensing with any reference to indices. Veritas uses a number of methods including **themes to help identify industries and companies that are well positioned to benefit medium-term growth,** regardless of where they are located.

To read more about our equity managers' views please visit: https://www.alliancetrust.co.uk

*As rated by Willis Towers Watson.
†Manages both a global equity and an emerging markets equity portfolio.

INVESTMENT MANAGER'S REPORT

INVESTMENT MARKETS IN 2017

2017 was an excellent year for global equity investors, with strong returns in local currency terms realised across all major geographies and sectors.

2017 saw a broad based-equity market rally, driven by strong corporate earnings and macro-economic data across all major regions. The rally was primarily led by technology stocks, but with all sectors benefiting from accelerated momentum creating a rising tide effect in all major global markets. For the first time since 2010, all major regions reported positive annual growth for the year in corporate earnings, leading many investors to profess the arrival of a new global synchronous recovery.

In the US, the Federal Reserve raised interest rates three times over the course of the year amidst a backdrop of strong growth and declining unemployment figures. Expectations of impending corporate and personal tax cuts after the Republican Party's tax plan passed through Congress in December further fuelled US equity growth towards the end of the year, with the NASDAQ briefly surpassing 7,000 points for the first time in history during intra-day trading in mid-December.

In the UK, the Bank of England raised interest rates for the first time in over ten years during November, whilst the completion of the first phase of Brexit negotiations led to the major equity indices finishing the year at record highs, despite lagging global markets throughout 2017. In Europe, a strong start for equity markets was tempered towards the end of the year, in part due to the rally in the Euro seen during the first three quarters.

INVESTMENT PERFORMANCE & PORTFOLIO ACTIVITY (UNTIL APRIL 2017)

Alliance Trust Investments was the investment manager to 31 March and had investment discretion until 17 March when BlackRock Advisors (UK) Limited (BlackRock) was appointed to manage the transition to the new investment approach.

The equity portfolio managed by ATI over this period performed strongly, returning 9.2% versus the 7.3% for the MSCI ACWI benchmark. The strong value style headwind that buffeted the equity portfolio during the final quarter of 2016 abated during the first quarter of 2017 to reverse much of the loss experienced last year, creating a market environment conducive to the large-cap growth stocks in the portfolio.

This market environment favoured the Company's overweight exposure to Info Tech and Health Care stocks, with much of the outperformance coming from these two sectors. The Company's Info Tech stalwarts such as Activision Blizzard, Cadence Design Systems and the core Health Care holdings in SS&C Technologies, CSL, Amgen and Roche were notable contributors.

BlackRock was appointed as Transition Manager on 17 March with the transition completed successfully on 12 April.

To manage the potential 'out of market' and implementation risks for the transition, BlackRock was appointed as Transition Manager on 17 March 2017 to assist with the transition of the portfolio to the new structure and to align the portfolio with the Company's new investment approach.

Willis Towers Watson (WTW) as the new investment manager played an active role during the transition, taking decisions on appropriate timing for when each underlying portfolio manager should take on responsibility for their respective portfolios. The transition was completed well within the timeframe expected, and there were no errors in or deviations from the transition plan.

Prior to the transition, WTW estimated the direct costs (commissions, taxes, fees and bid/offer spreads) would be in the region of 0.30%. The final direct costs were much lower at 0.18%. Indirect costs were also kept to a minimum. The transition portfolio performance, even after costs, in the short period of the transition, performed better than if the legacy portfolio had remained in place and not been traded.

INVESTMENT MANAGER'S REPORT
CONTINUED

On 1 April 2017, WTW was appointed as the Trust's new investment manager to implement 'an alliance of best ideas'.

A HIGH-CONVICTION INVESTMENT APPROACH

We believe that high-quality equity managers are able to deliver long-term capital appreciation and add value versus an index through their highest-conviction positions, through high 'active share'.

We believe:

- Genuinely skilled managers exist
- These managers can generate outperformance relative to their agreed benchmarks in excess of their fees
- With sufficient research due diligence, these skilled managers can be identified and selected in advance

We invest significant time and effort in identifying these managers and we have a successful proven track record.

Based on our extensive experience we also believe:

- That high active share portfolios are advantageous. Academic research supports this
- Managers and investors should access a broad opportunity set. The broadest opportunity set is provided by unrestricted global mandates
- That a number of managers are needed to diversify style, size, sector, region and other investment risks as well as adverse selection; a multi-manager approach

Last but not least, costs matter. We go to great lengths to ensure that we deliver value for money, not just by using our scale to reduce costs, but also by using our influence with managers to create bespoke cost-effective products.

Our investment proposition for the Trust is a true 'alliance of best ideas'*. We have selected eight of our best-in-class global equity managers and combined this with sound risk management to create a well-diversified portfolio with a strong outperformance expectation. Two key advantages of this investment strategy are **increased performance consistency** through the multi-manager approach and a **high expected return driven by the high-conviction stock picks**.

The target of the equity portfolio is to outperform the MSCI All Country World Index by 2% per year after costs over rolling three-year periods, supporting the Trust's progressive dividend policy.

We are pleased to report that performance since our appointment in April 2017 has been strong and the portfolio is well positioned to grow further and continue to deliver value to shareholders in 2018 and beyond.

Craig Baker
Chair of the Investment Committee

Willis Towers Watson

*As rated by Willis Towers Watson.

PORTFOLIO ACTIVITY (FROM APRIL 2017)

The equity managers, each of whose allocations has been carefully weighted by us, have got off to a great start.

Prior to our appointment as investment manager for the Trust, a transition manager, BlackRock, was used to create a portfolio, based on the 'wish-lists' provided by the new equity managers. The eight equity managers that we selected to manage the equity portfolio represent a mix of WTW's top-rated equity managers with varying style biases, carefully weighted in order to create a well-diversified, style-neutral portfolio.

Our analysis indicates that the implementation of the new approach has been successful, with the total equity portfolio displaying no significant style biases. The equity managers have been progressively rotating their allocation of the portfolio into new and interesting areas of value throughout the year and we continue to monitor these rotations closely. It is reassuring to see that on average, the turnover of stock by the equity managers is relatively low, reinforcing the long-term investment nature of the new strategy.

The appointment of the eight highly skilled equity managers that we have selected has strengthened the Trust and positions it well progressing into 2018 and for the future. We continue to add to and maintain a 'bench' of similarly highly skilled equity managers, whilst continuing to monitor the equity portfolio closely in order to identify any opportunity or need to rotate managers.

Our portfolio comprises the stock picks of several distinct asset managers. Each of the asset managers has a unique asset management and stock selection style; below two of the equity managers' talk about one of their high-conviction stock picks.

RIVER AND MERCANTILE
ASSET MANAGEMENT

A stock pick for the Alliance Trust portfolio by Hugh Sergeant: Tingyi Holding

In October we purchased Tingyi Holding, China's number one instant noodle brand and number one to three across a range of beverage categories; for example it is Pepsi's exclusive bottling partner in China. The stock has an attractive recovery thesis with the potential to grow operating profit by 50% over the next three years as it continues to focus on increasing average selling prices and rationalisation of the fixed cost base.

Pessimistic investors confuse some cyclicality with structural decline and miss the critical component of 'premiumisation' as a value driver in noodles (i.e. more profit from the same volumes). Looking at more-mature countries suggests there is still scope for many years of value enhancement in its two key end markets, while new management (since 2015) has shown better capital allocation discipline. Investor scepticism still lingers after two years of downgrades (2015-17), which have only just stabilised; cash flow forecasts provide a lead indicator that these will continue to move higher.

The shares are currently priced at 12x 2018 estimated / 11x 2019 estimated free cash flow versus the peer group on 20-23x. Timing looks particularly attractive given supportive peer commentary and a rolling-over of the raw material headwind.

FPA
investors first

A stock pick for the Alliance Trust portfolio by Pierre Py and Greg Herr: Ryanair

One of our portfolio companies dealing with cycles in its business is Ryanair. Based in Ireland, the company is Europe's largest passenger airline. A temporary shortage of pilots for its autumn schedule led the company to cancel an unprecedented number of flights and pledge to boost pilots' compensation.

As the dust settles on these well-publicised announcements, we believe Ryanair continues to possess a massive structural cost advantage against all its competitors, not only the bloated legacy airlines, but also the other low-cost providers. This contributes to making the company's core business model very powerful and extremely difficult for anyone to either replicate or fend off. We believe it also means Ryanair has the opportunity to extend its current lead in the European market. Furthermore, the group can leverage its direct proprietary relationship with customers to grow ancillary revenues and roll out new digital services. In our view, despite recent execution challenges, management has firmly established itself over time as a best-in-class team. This is underscored by the company's very attractive profitability, returns on capital employed, high cash conversion and net cash balance sheet. Ryanair isn't your typical airline.

INVESTMENT MANAGER'S REPORT
CONTINUED

INVESTMENT PERFORMANCE (APRIL TO DECEMBER 2017)

Since our appointment on 1 April 2017, the Trust's equity portfolio has returned 9.8%* – outperforming the MSCI ACWI by 2.2%. From that date until 30 September 2017, the equity portfolio performed strongly against the index, outperforming the MSCI ACWI in both the second and third quarters of the year. Towards the end of the fourth quarter, a select group of technology stocks led market advances and the portfolio struggled to keep pace, as it was underweight in these stocks, which led to the first quarter of underperformance relative to the index; however, absolute performance remained meaningfully positive with the equity portfolio returning 3.8% over the fourth quarter.

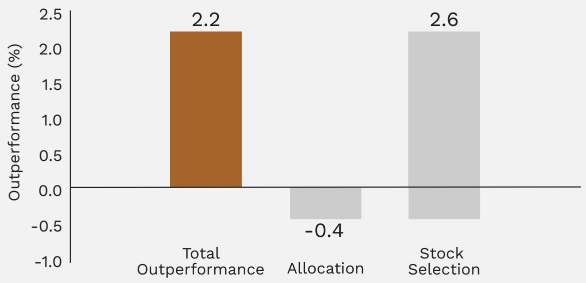
It is pleasing to see that the majority of outperformance since our appointment and implementation of the new investment approach can be attributed to stock selection, which indicates that the portfolio construction has allowed performance to be driven by the equity managers' stock-picking capabilities and not swayed by any individual factor or regional bets.

*Gross of management fees.

As expected, equity managers' stock-picking has made a strong contribution to the outperformance over the period.

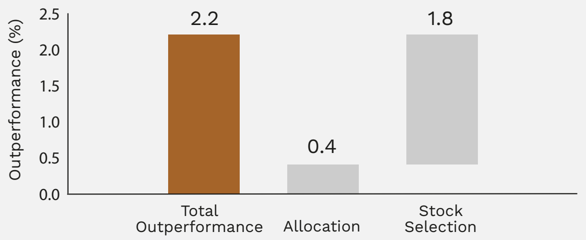
STOCK SELECTION IS THE BIGGEST DRIVER OF RETURNS

COUNTRY PERFORMANCE ATTRIBUTION (%)



Source: MSCI Inc and The Bank of New York Mellon (International) Ltd.

SECTOR PERFORMANCE ATTRIBUTION (%)



Source: MSCI Inc and The Bank of New York Mellon (International) Ltd.

PORTFOLIO RISK

Risk management is a key part of the portfolio construction process.

We recognise that, in isolation, the returns from any one of the focused portfolios may be volatile. However, we control this risk through the multi-manager approach. Specifically, by selecting managers that have complementary approaches to equity management, and by directly managing risks at the overall portfolio level rather than at the sub-manager level.

2017 saw numerous external risk factors which displayed potential to impact on the Trust's equity portfolio, with several major political risks materialising and dissipating throughout the course of the year. For a Sterling investor, Brexit associated risks have undoubtedly been the key concern of 2017. However, despite completion of the first phase of negotiations in December, the UK's future relationship with the EU remains unknown. Therefore, the economic impact has not yet fully materialised and the most significant associated risk factor has been movement of Sterling relative to other major market currencies.

The new investment strategy of a well-diversified 'best ideas' portfolio free from style bias at the overall portfolio level, has on the whole insulated the Trust from such external risk factors, as returns have been shown to be driven primarily by the equity managers' stock-picking abilities rather than being overly influenced by regional or factor bets.

The equity portfolio is well insulated from external risk factors through the new structure.

Risk summary			
Active risk	2.2%	Portfolio volatility	12.6%
Active share	80%	Benchmark volatility	12.8%
Beta	0.97		

Number of stocks	
Portfolio	192
Benchmark	2,492

Source: Willis Towers Watson, FTSE ICB, FactSet, MSCI Inc. Portfolio data as at 31 December 2017.

GEARING[1]

The Trust is managed in accordance with the gearing policy set by the Board. Given the valuations observed in equity markets, we have maintained a gross level of gearing between approximately 8.5% and 9.5% since the implementation of the new multi-manager strategy.

During the year, we increased the Trust's borrowings slightly to maintain the Trust's gearing ratio in a rapidly rising equity market. The borrowings were invested into the Trust's equity portfolio. Over the period since 1 April this exposure led to 0.6% of additional returns for the Trust, net of borrowing costs.

1 Alternative Performance Measure (refer to Glossary on page 89).

STEWARDSHIP

WTW has given discretionary voting powers to each of the equity managers in respect of the allocation of the Alliance Trust portfolio that they manage. Between 1 April 2017 (when WTW was appointed) to 31 December 2017, the equity managers voted on 1,299 resolutions at company meetings. They voted against or abstained from voting on 10% of these resolutions.

Of the 1,249 resolutions where the management recommendation was 'For' the equity managers voted against or abstained on 9% of these resolutions and of the 26 proposals where the management recommendation was 'Against' the equity managers voted with management on half of them. These votes related to many issues, including: board composition (including director remuneration, incentive compensation and appointment), auditor tenure, the reduction of company capital and the setting of company dividend.

The Financial Reporting Council (FRC) has awarded WTW with Tier 1 status on the quality and transparency of the WTW stewardship approach. WTW recognises and supports the FRC's UK Stewardship Code as best practice.

INVESTMENT PORTFOLIO

EQUITY HOLDINGS AS AT 31 DECEMBER 2017

Investment	Region	% of Investment Portfolio	Value £m
Equities	Global	90.7	2,573.1
			Total value 2,573.1

INVESTMENT IN OPERATING SUBSIDIARY COMPANY AS AT 31 DECEMBER 2017

Investment	Region	% of Investment Portfolio	Value £m
Alliance Trust Savings	United Kingdom	1.3	38.0
			Total value 38.0

NON-CORE INVESTMENTS AS AT 31 DECEMBER 2017

Investment	Region	% of Investment Portfolio	Value £m
Private Equity	United Kingdom/Europe	2.9	81.3
Mineral Rights	North America	0.5	15.3
Luxcellence Liontrust Sustainable Future Pan-European Equity Fund	Luxembourg	2.9	83.2
Liontrust Sustainable Future Cautious Managed Fund	United Kingdom	0.5	13.2
Liontrust Sustainable Future Defensive Managed Fund	United Kingdom	0.5	12.9
Liontrust Asset Management PLC	United Kingdom	0.7	19.9*
			Total value 225.8

TOTAL INVESTMENTS AS AT 31 DECEMBER 2017

Investment	% of Investment Portfolio	Value £m
Equities	90.7	2,573.1
Investment in operating subsidiary company	1.3	38.0
Non-core investments	8.0	225.8
		Total value 2,836.9

Source: Willis Towers Watson and The Bank of New York Mellon (International) Ltd.

*These were sold on 24 January 2018.

CONTRIBUTION ANALYSIS – 2017

Contribution Analysis (%)	Total Return	Average Weight	Contribution to Total Return
Equity Portfolio (excluding Effect of Gearing)			15.4
Effect of Gearing*			1.1
Equity Portfolio including Impact of Gearing	**18.0**	**0.92**	**16.5**
FX Contracts and Index Futures			N/A
Non-Core Investments			0.9
Investment Portfolio Total			**17.4**
Subsidiaries			-0.8
Cash and Accruals			1.1
Share Buybacks			1.4
Total Administration Costs			-0.6
NAV including Income Total Return			18.5
Effect of Discount			0.7
Total Shareholder Return			19.2
MSCI ACWI Total Return			13.8

The NAV Total Return for 2017 was 18.5% versus the benchmark MSCI ACWI return of 13.8%. This is a result of the investment returns from the global equity portfolio, investments in private equity, mineral rights and the change in value of the subsidiary companies. Over 2017 the Total Shareholder Return was 19.2%, slightly higher than the NAV Total Return. Equities, at 90.7% of our total investment at the year end, are by far the most significant asset class and contributor to our Total Shareholder Return. Average gearing was 8.7% over 2017, which had the effect of enhancing the return from the equity portion of the portfolio over the year.

Source: WTW, The Bank of New York Mellon (International) Ltd, Morningstar, BNY Mellon Fund Performance & Risk Analytics Europe Limited and MSCI Inc.

*Gearing effect is attributed assuming that all borrowing is invested in the equity portfolio and is net of the cost of borrowing to achieve the gearing.

EQUITY PORTFOLIO LISTING

EQUITY HOLDINGS AS AT 31 DECEMBER 2017

Stock	Sector	Country of listing	% of quoted equities	Value £m
Alphabet	Information Technology	United States	2.1	53.9
Comcast	Consumer Discretionary	United States	1.6	42.2
Charter Communications	Consumer Discretionary	United States	1.6	41.4
Microsoft	Information Technology	United States	1.5	39.5
UnitedHealth Group	Health Care	United States	1.4	36.2
Baidu - ADR	Information Technology	China	1.4	35.5
Oracle	Information Technology	United States	1.2	31.8
Anglo American	Materials	United Kingdom	1.2	31.0
Western Union	Information Technology	United States	1.2	30.2
Airbus	Industrials	France	1.2	30.1
AIA	Financials	Hong Kong	1.1	28.0
HDFC Bank	Financials	India	1.0	26.9
Samsung Electronics	Information Technology	South Korea	1.0	26.8
Novo Nordisk	Health Care	Denmark	1.0	26.7
Ryanair	Industrials	Ireland	1.0	26.7
Tencent	Information Technology	China	1.0	26.3
Amazon	Consumer Discretionary	United States	1.0	24.9
Aetna	Health Care	United States	1.0	24.8
Anthem	Health Care	United States	0.9	24.1
Visa	Information Technology	United States	0.9	23.4
Ameriprise Financial	Financials	United States	0.9	23.3
Page Group	Industrials	United Kingdom	0.9	23.3
Sberbank	Financials	Russia	0.9	22.6
TE Connectivity	Information Technology	Switzerland	0.9	22.5
Danone	Consumer Staples	France	0.9	22.3
Infosys - ADR	Information Technology	India	0.9	21.8
Aflac	Financials	United States	0.9	21.8
salesforce.com	Information Technology	United States	0.9	21.8
FleetCor Technologies	Information Technology	United States	0.8	21.7
TP ICAP	Financials	United Kingdom	0.8	21.5
Suncor Energy	Energy	Canada	0.8	21.4
American Express	Financials	United States	0.8	21.3
HCA Healthcare	Health Care	United States	0.8	21.2
Corning	Information Technology	United States	0.8	21.0
Celanese	Materials	United States	0.8	20.9
SAP SE - ADR	Information Technology	Germany	0.8	20.9
AerCap	Industrials	Ireland	0.8	20.9
Broadcom	Information Technology	United States	0.8	20.9
Britvic	Consumer Staples	United Kingdom	0.8	20.7
Lowe's Cos	Consumer Discretionary	United States	0.8	20.6
Lincoln National	Financials	United States	0.8	20.6
Liberty Interactive	Consumer Discretionary	United States	0.8	20.5
Facebook	Information Technology	United States	0.8	20.5
Edenred	Industrials	France	0.8	20.3
Ambev	Consumer Staples	Brazil	0.8	20.1
EOG Resources	Energy	United States	0.8	20.1
IHS Markit	Industrials	United Kingdom	0.8	19.3
Flex	Information Technology	United States	0.8	19.2
Prosegur	Industrials	Spain	0.7	19.0
Core Laboratories	Energy	Netherlands	0.7	18.8
Qualcomm	Information Technology	United States	0.7	18.7
HeidelbergCement	Materials	Germany	0.7	18.7
Western Digital	Information Technology	United States	0.7	18.6
BP	Energy	United Kingdom	0.7	18.2
Pearson	Consumer Discretionary	United Kingdom	0.7	18.2
Compagnie de Saint-Gobain	Industrials	France	0.7	18.2
CVS Caremark	Consumer Staples	United States	0.7	18.0
Mondelez International	Consumer Staples	United States	0.7	17.6
Whirlpool	Consumer Discretionary	United States	0.7	17.5
Applus Services	Industrials	Spain	0.7	17.4
Ralph Lauren	Consumer Discretionary	United States	0.7	17.3
Schneider Electric	Industrials	France	0.7	17.2
Nestlé	Consumer Staples	Switzerland	0.7	16.9
Booz Allen Hamilton	Information Technology	United States	0.7	16.8
Nielsen	Industrials	United States	0.7	16.8

EQUITY PORTFOLIO LISTING
CONTINUED

EQUITY HOLDINGS AS AT 31 DECEMBER 2017

Stock	Sector	Country of listing	% of quoted equities	Value £m
Regeneron Pharmaceuticals	Health Care	United States	0.7	16.8
ICICI Bank	Financials	India	0.7	16.7
Cisco Systems	Information Technology	United States	0.6	16.4
Johnson	Industrials	United States	0.6	16.2
Teradata	Information Technology	United States	0.6	16.1
Sumitomo Mitsui Financial	Financials	Japan	0.6	16.1
Priceline	Consumer Discretionary	United States	0.6	16.0
Ericsson	Information Technology	Sweden	0.6	16.0
Goodyear Tire & Rubber	Consumer Discretionary	United States	0.6	15.9
OC Oerlikon	Industrials	Switzerland	0.6	15.9
Lloyds Banking	Financials	United Kingdom	0.6	15.8
Allergan	Health Care	United States	0.6	15.7
Santen Pharmaceutical	Health Care	Japan	0.6	15.7
Koninklijke Philips Electronics	Health Care	Netherlands	0.6	15.7
Malaysia Airports	Industrials	Malaysia	0.6	15.7
Bank of America	Financials	United States	0.6	15.7
BNP Paribas	Financials	France	0.6	15.5
DSM	Materials	Netherlands	0.6	15.3
Barclays	Financials	United Kingdom	0.6	15.2
Hain Celestial	Consumer Staples	United States	0.6	15.1
Express Scripts Holding	Health Care	United States	0.6	15.1
Alibaba	Information Technology	China	0.6	15.0
Anima Holding	Financials	Italy	0.6	14.9
Daimler	Consumer Discretionary	Germany	0.6	14.7
Safran	Industrials	France	0.6	14.5
Tingyi Holding	Consumer Staples	China	0.6	14.4
Accor	Consumer Discretionary	France	0.6	14.3
Daikin Industries	Industrials	Japan	0.6	14.2
Johnson & Johnson	Health Care	United States	0.6	14.1
Wells Fargo	Financials	United States	0.6	14.1
Galp Energia	Energy	Portugal	0.5	14.0
Standard Chartered	Financials	United Kingdom	0.5	14.0
Aryzta	Consumer Staples	Switzerland	0.5	13.8
Luxottica Group	Consumer Discretionary	Italy	0.5	13.7
Omnicom Cap Inc	Consumer Discretionary	United States	0.5	13.5
WPP	Consumer Discretionary	United Kingdom	0.5	13.4
BorgWarner	Consumer Discretionary	United States	0.5	13.3
Check Point	Information Technology	Israel	0.5	13.3
Macquarie	Financials	Australia	0.5	13.2
London Stock Exchange	Financials	United Kingdom	0.5	13.1
H&R Block	Consumer Discretionary	United States	0.5	13.0
Deutsche Boerse	Financials	Germany	0.5	12.9
Rolls-Royce	Industrials	United Kingdom	0.5	12.9
Inovalon	Health Care	United States	0.5	12.9
Nvidia	Information Technology	United States	0.5	12.7
Prada	Consumer Discretionary	Italy	0.5	12.7
Tesco	Consumer Staples	United Kingdom	0.5	12.6
Centrica	Utilities	United Kingdom	0.5	12.3
McKesson	Health Care	United States	0.5	12.1
SoLocal	Consumer Discretionary	France	0.5	12.0
Intercontinental Exchange	Financials	United States	0.5	11.9
Rio Tinto	Materials	United Kingdom	0.5	11.6
Sonic Healthcare	Health Care	Australia	0.5	11.6
Lam Research	Information Technology	United States	0.4	10.9
Sanofi	Health Care	France	0.4	10.7
Nintendo	Information Technology	Japan	0.4	10.5
Grupo Financiero Santander	Financials	Mexico	0.4	10.4
Sands China	Consumer Discretionary	Hong Kong	0.4	10.3
Dong Energy	Utilities	Denmark	0.4	10.2
Citigroup	Financials	United States	0.4	10.1
TS Tech	Consumer Discretionary	Japan	0.4	10.0
ExxonMobil	Energy	United States	0.4	9.9
MYOB	Information Technology	Australia	0.4	9.4
Dollar General	Consumer Discretionary	United States	0.4	9.2
Philip Morris International	Consumer Staples	United States	0.4	9.2

EQUITY HOLDINGS AS AT 31 DECEMBER 2017

Stock	Sector	Country of listing	% of quoted equities	Value £m
Mastercard	Information Technology	United States	0.3	8.9
Marks & Spencer	Consumer Discretionary	United Kingdom	0.3	8.8
Carnival Corporation	Consumer Discretionary	United States	0.3	8.4
South32	Materials	Australia	0.3	8.0
Naspers	Consumer Discretionary	South Africa	0.3	7.9
Capita	Industrials	United Kingdom	0.3	7.5
Zynga	Information Technology	United States	0.3	7.4
Fomento Econ Mexicano	Consumer Staples	Mexico	0.3	7.3
Gafisa	Consumer Discretionary	Brazil	0.2	5.9
Sankyo	Consumer Discretionary	Japan	0.2	5.7
Bank Central Asia	Financials	Indonesia	0.2	5.2
Taiwan Semiconductor Manufacturing	Information Technology	Taiwan	0.2	4.1
BM&F Bovespa	Financials	Brazil	0.2	4.0
ALS	Industrials	Australia	0.2	3.9
Carsales	Information Technology	Australia	0.1	3.7
AIB Group	Financials	Ireland	0.1	3.6
Housing Development Finance	Financials	India	0.1	3.5
Ping An Insurance	Financials	China	0.1	3.4
Itau Unibanco	Financials	Brazil	0.1	3.2
CP All	Consumer Staples	Thailand	0.1	3.2
JD.com	Consumer Discretionary	China	0.1	3.1
Telekomunikasi Indonesia	Telecommunication Services	Indonesia	0.1	2.7
Heineken	Consumer Staples	Netherlands	0.1	2.4
Bank Rakyat	Financials	Indonesia	0.1	2.2
Industrial & Commercial Bank of China	Financials	China	0.1	1.9
Ansell	Health Care	Australia	0.1	1.8
Sarana Menara	Telecommunication Services	Indonesia	0.1	1.7
OTP Bank	Financials	Hungary	0.1	1.7
Grupo Financiero Galicia	Financials	Argentina	0.1	1.7
Yandex	Information Technology	Russia	0.1	1.6
InterGlobe Aviation	Industrials	India	0.1	1.6
MMC Norilsk Nickel	Materials	Russia	0.1	1.6
Raia Drogasil	Consumer Staples	Brazil	0.1	1.5
MercadoLibre	Information Technology	Argentina	0.1	1.5
Discovery	Financials	South Africa	0.1	1.5
China Gas Holdings	Utilities	Hong Kong	0.1	1.3
Grupo Aeroportuario Pacifico	Industrials	Mexico	0.1	1.3
Noah	Financials	China	0.1	1.3
Reliance Industries	Energy	India	0.1	1.2
Severstal PJSC	Materials	Russia	0.0	1.2
Rosneft Oil Company	Energy	Russia	0.0	1.1
Scout24	Information Technology	Germany	0.0	1.1
Gedeon Richter	Health Care	Hungary	0.0	1.1
Infraestructura Energetica Nova	Utilities	Mexico	0.0	1.1
X5 Retail Group	Consumer Staples	Russia	0.0	1.1
Wynn Resorts	Consumer Discretionary	United States	0.0	1.1
WEG	Industrials	Brazil	0.0	0.9
Moscow Exchange	Financials	Russia	0.0	0.9
Grupo Aeroportuario Del Sureste	Industrials	Mexico	0.0	0.9
Alrosa	Materials	Russia	0.0	0.8
China Resources	Utilities	Hong Kong	0.0	0.8
Qualicorp	Health Care	Brazil	0.0	0.8
Citec Securities	Financials	China	0.0	0.8
Gafisa	Consumer Discretionary	Brazil	0.0	0.7
51Job ADR	Industrials	China	0.0	0.7
Kasikornbank	Financials	Thailand	0.0	0.6
Polyus PJSC	Materials	Russia	0.0	0.6
Wal-Mart de Mexico	Consumer Staples	Mexico	0.0	0.6
Geely Automobile	Consumer Discretionary	China	0.0	0.6
ZTO Express	Industrials	China	0.0	0.6
LOMA Negra	Materials	Argentina	0.0	0.3
China Literature	Information Technology	China	0.0	0.1
			100%	**Total value 2,573.1**

Source: Willis Towers Watson and The Bank of New York Mellon (International) Ltd.

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

NON-CORE ASSETS
(8.0% OF INVESTMENT PORTFOLIO)

The Trust has a legacy portfolio of non-core assets diversified across several alternative asset classes and continues to have investments in private equity funds, North American mineral rights, a small UK real estate portfolio and Liontrust shares and funds. The private equity investments are held across two funds of funds, the ATEP 2008 and ATEP 2009 funds, and across direct holdings. The ATEP 2008 and ATEP 2009 funds hold a mix of UK and European private equity funds including ECI 9A LP, Pentech Fund II LP, Polaris Private Equity IIIK/S, Silverfleet Capital Partners LP, 21 Centrale Partners, Phoenix Equity Partners 2010 LP and The Third Alcuin Fund LP. The Trust also holds a small number of investments in other funds the largest of which is Leapfrog Financial Inclusion Fund II LP.

Current market conditions have been increasingly more challenging than in the past for new investment but represent ideal markets for selling, which the bulk of the private equity funds are in the process of doing, so we would expect the non-core assets to distribute capital back to the Trust. However, high prices and valuations have made it difficult to generate outperformance for new investments by the private equity funds. Specific to the private equity holdings, we expect the net asset value to decrease steadily in the short to medium term as more capital is realised from underlying portfolio company investments. The value of our private equity investments is £81.3m. The unfunded commitment to private equity investments, which includes recallable distributions, is £21.5m. In 2017 the private equity funds have distributed £34.2m to the Trust and further realisations and distributions back to the Trust are expected in 2018. The sale of the private equity portfolio in 2018 is being actively considered by the Trust.

The mineral rights continue to generate strong, consistent revenue returns on an annual basis and we expect this trend to continue for the foreseeable future. Fortunately, despite the terrible effects of Hurricane Harvey in the US earlier in the year, the revenue returns for the mineral rights were unaffected. Any weakness in oil prices has been mitigated by the favourable currency conversion effect on the US Dollar revenue flows and we are again investigating the sale of these holdings.

The real estate assets consist of two legacy fund holdings with the Trust’s office building in Dundee being held as office premises and not as part of the investment portfolio.

Following the year end the Trust's holding in Liontrust Asset Management PLC was sold. The Trust will receive further shares in Liontrust (part of the consideration for the sale of Alliance Trust Investments) in April 2018 which will be subject to a one-year lock-up period. The Trust continues to hold investments in three funds managed by Liontrust but will look to dispose of these at the appropriate time.

INVESTMENT IN OPERATING SUBSIDIARY COMPANY
(1.3% OF INVESTMENT PORTFOLIO)

ALLIANCE TRUST SAVINGS

At the half-year we reported that additional costs associated with improvements to ATS's operating platform and customer service, together with delays in the launch of the new technology platform, had contributed to a loss of £1.5m for the first six months.

In the first half of the year, most of Stocktrade's operations were transferred from Edinburgh to Dundee. The integration of these operations proved to be particularly challenging and adversely impacted levels of customer service giving rise to an increase in the number of customer complaints. In order to address these issues additional, largely non-recurring expenditure, was incurred in the second half of the year. Implementation of the new technology platform, which was expected to generate increased revenues, was further delayed during the second half of 2017. ATS recorded an operating loss of £6.1m for the year, before exceptional items (2016: operating profit of £1.2m). This loss includes £3.0m of non-recurring costs incurred to stabilise the business.

ATS has reduced the value of its intangible assets, related to the Stocktrade business, resulting in an exceptional charge of £13.2m. ATS's operating loss for 2017, after this exceptional charge, amounted to £19.3m.

The Directors' fair value of the Trust's investment in ATS has been reduced to £38.0m at 31 December 2017 (2016: £61.5m).

Towards the end of 2017 the Board of ATS appointed its Chairman as acting Chief Executive Officer, subject to regulatory approval, and is actively pursuing the recruitment of a new Chief Executive. After the year end two further executive appointments were made to the Board.

The number of ATS customer accounts and trading volumes grew in 2017 and ATS ended the year with assets under administration of £15.8bn (2016: £13.6bn). Investment in customer service is continuing in 2018, ATS is now experiencing a reduction in complaints and an improvement in service levels.

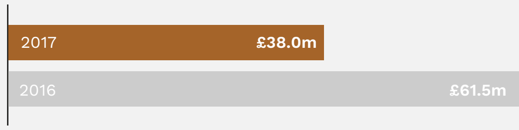
	2017 (£m)	2016 (£m)
Income	27.0	21.6
Administrative Expenses	(33.1)	(20.4)
Operating (Loss)/Profit before exceptional items	(6.1)	1.2
Exceptional administrative expenses*	(13.2)	-
Operating (Loss)/Profit before tax	(19.3)	1.2

*Exceptional administrative expenses relate to write down of intangible assets related to Stocktrade.

KEY PERFORMANCE INDICATORS FOR THE YEAR TO 31 DECEMBER

FAIR VALUE

£38.0m ↓ -38%



ASSETS UNDER ADMINISTRATION

£15.8bn ↑ +16%

CUSTOMER ACCOUNTS

113,317 ↑ +2%

NUMBER OF TRADES

755,638 ↑ +12%

COSTS AND PERFORMANCE MEASURES – 2017

ONGOING CHARGES RATIO (ALTERNATIVE PERFORMANCE MEASURE)

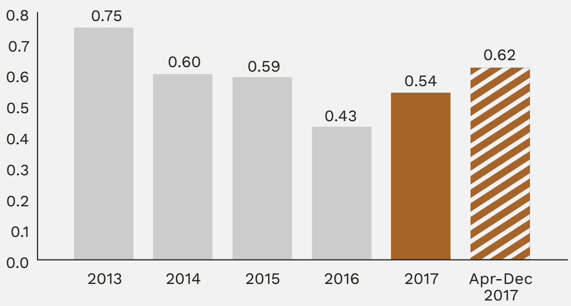
In February 2017, when we announced the move from a single manager to multi-manager strategy to be managed by WTW, we set ourselves a target to seek outperformance at a competitive cost with ongoing costs of under 0.65%. For the full year 2017 our Ongoing Charges Ratio (OCR) is reported as 0.54%. We recognise, however, that the purpose of the OCR is to provide a guideline of ongoing costs, so have also calculated an OCR from 1 April 2017 of 0.62%, below the target maximum of 0.65%. The 1 April date is important because it is the date WTW was appointed as investment manager and the Net Asset Values used in the calculation are after the Elliott share repurchase in the first quarter.

For 2018 the Board continues to set a target of OCR of under 0.65%, which is below the median for investment trust companies in the AIC Global sector.

Total expenses for the year are £17.4m (2016: £16.8m) of which investment management fees represent £10.1m (2016: £9.4m) and other administrative expenses £6.0m (2016: £4.0m). Ongoing costs are £16.1m (2016: £13.4m). The higher ongoing costs in the current year reflect the new investment approach, increased marketing activity and premises costs as a result of the sale of Alliance Trust Investments, which included a transfer of lease commitments to the Trust. We are pleased to report the higher premises costs are partially offset by income from a tenant occupying sub-let space.

As in prior years the OCR excludes one-off or non-recurring costs. Non-recurring costs in 2017 were £1.3m (2016: £3.4m). It is pleasing to note that as we deal with legacy matters associated with the Trust, the level of one-off costs has reduced in 2017.

ONGOING CHARGES RATIO %



Source: Willis Towers Watson.

For more information see below.

Ongoing Charges Ratio (OCR) Summary 2017

The table below provides more detail of the costs which were incurred in managing the Trust and its investments and compares it with those incurred in 2016.

£000	2017 Revenue	Capital	Total	2016 Revenue	Capital	Total
Average Net Assets			**2,991,850**			**3,111,711**
Total administrative costs	**8,803**	**8,629**	**17,432**	**7,960**	**8,810**	**16,770**
Investment management fees	3,307	6,786	10,093	3,118	6,237	9,355
Administrative costs	4,201	1,823	6,024	3,060	983	4,043
Ongoing expenses	**7,508**	**8,609**	**16,117**	**6,178**	**7,220**	**13,398**
Reorganisation	146	20	166	556	179	735
Strategic review	732	0	732	457	1,221	1,678
Indirect disposal costs of ATI	(195)	0	(195)	769	189	958
Property	613	0	613			0
Non-recurring costs	**1,295**	**20**	**1,315**	**1,782**	**1,589**	**3,371**
OCR ongoing costs			**0.54%**			**0.43%**
Total expenses ratio (TER)			**0.58%**			**0.54%**
OCR ongoing costs run rate*			**0.62%**			

*OCR run rate reflects April to December ongoing expenses divided by average net assets for that period.

COST ALLOCATION POLICY

Where consistent with AIC SORP guidelines, we have allocated management fees, financing costs and other indirect expenditure one third to revenue profits and two thirds to capital profits. Given the new investment strategy and approach implemented in April 2017, the Board has assessed the cost allocation policy in 2017. To better reflect the anticipated income growth and capital appreciation returns of the new investment approach, the Board has decided, from 1 January 2018, to adopt a one quarter revenue and three quarters capital allocation for management fees, financing costs and other relevant indirect expenses.

DIVIDENDS

Alliance Trust has increased its ordinary dividend for more than 50 years and is one of only a few companies in the FTSE All-Share Index with such a track record.

During the year the Board considered its dividend policy and has reaffirmed its commitment to a progressive ordinary dividend. The Board has recognised that to achieve this objective it may be necessary, on occasions, to make use of its revenue reserves and that, should there be a year in which unanticipated levels of income are received, some of that income may be retained or a special dividend declared. The intention is to have a smooth annual rise in dividend while retaining an element of cover by way of revenue reserves to be used when dividend income is depressed. Our expectation is that even with a reduced level of income, the value of our revenue reserves is sufficient to support a progressive dividend for the next five years.

The ordinary dividend for 2017 will rise by 3% to 13.16p. A fourth interim dividend of 3.29p will be paid on 3 April 2018 to shareholders who were on the Trust's share register on 16 March 2018.

SHARE BUYBACKS AND DISCOUNT

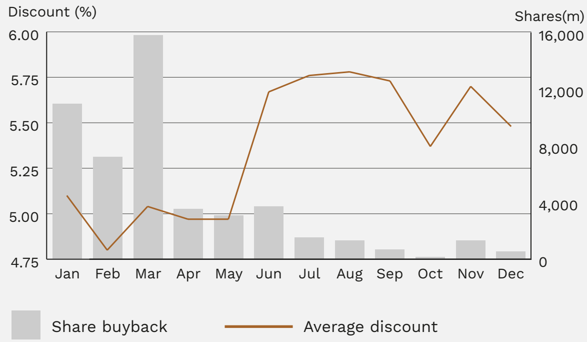
Our share buyback programme has been available to all shareholders during the year. We buy back shares when we believe it is beneficial to shareholders to do so. In addition to the 49.6m shares we purchased as part of the programme, following shareholder approval we also purchased approximately 20% of our issued share capital from Elliott at a discount around that available to all shareholders at the time.

Our share buyback programme has helped us to maintain during the year an average discount of 5.4% against the Global Sector average of 4.3%. We closed the year with a discount of 4.0% (calculated on the published NAV as at 31 December 2017 adjusted for the impact of the Alliance Trust Savings valuation as at that date determined after the year end) against the sector's 2.5%.

All the shares bought back have been cancelled.

The chart below shows our discount during 2017 and the reduction in our buyback activity over the year.

SHARE BUYBACKS AND DISCOUNT



Source: Alliance Trust and Morningstar.

RISK MANAGEMENT

INTRODUCTION

The Audit and Risk Committee comprises all 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 forward-looking risks.

The Committee regularly discusses any breaches of agreed risk appetites with representatives from the Trust's Executive function, WTW and Alliance Trust Savings. The Chief Risk Officer from Alliance Trust Savings reports to the Committee on risks affecting that business on a quarterly basis. The Committee also receives reports on the Risk Exposures and Events from the Executive function and WTW which highlight any risk exposures that might be close to or exceed agreed limits.

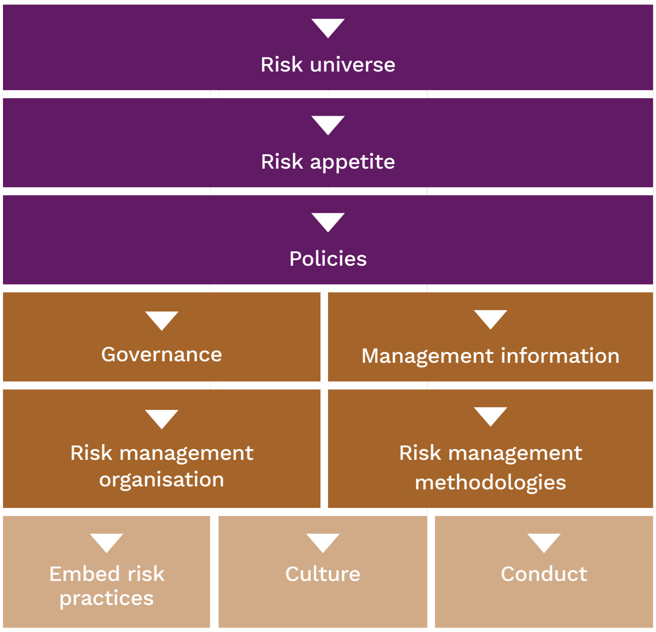
RISK GOVERNANCE

The financial statements in this Annual Report are those of the Trust only. In this section where reference is made to 'Group' it means the Trust and its subsidiaries (details set out on page 63) other than Alliance Trust Savings which has its own independent board responsible for managing the risks affecting that business and which operates its own risk management framework.

Effective risk management is essential to the Group's meeting its strategic objectives successfully. A robust Risk Management Framework (the 'Framework') has been implemented throughout the Group to provide an efficient and comprehensive approach for the identification, assessment and management of the significant risks impacting the Group's ability to meet its objectives. This Framework supports key processes including compliance with various regulatory capital and liquidity requirements.

Prior to 1 April 2017, the Trust relied on the Risk Management systems put in place by Alliance Trust Investments (ATI). Following WTW's appointment the Audit and Risk Committee (the 'Committee') performed a full review of the Group's internal control environment. WTW, which replaced Alliance Trust Investments as investment manager, was asked to report on the Group's control model and the Trust engaged Ernst & Young LLP (EY) to perform an independent analysis of the Framework and mitigating controls, comparing this to industry best practice. In addition, as part of the Committee's review, the Trust's Risk Appetite Statement was updated to reflect the appointment of the third-party service providers delivering the Trust's new investment approach. The Group's principal risks and the Framework reflect the changes made as part of this process.

RISK MANAGEMENT FRAMEWORK



The Framework is reviewed annually and findings are presented to the Committee. The most recent assessment highlighted no significant concerns.

After the year end the annual review of the effectiveness of the internal control systems is provided to the Board. This review encompasses all material controls including financial, prudential, and operational and compliance, and aims to ensure that all systems are operating effectively to mitigate and manage the key risks to the Group. Please refer to page 37 of the Audit and Risk Committee report for further details on the findings of our 2017 internal controls review.

RISK APPETITE

The Group's Risk appetite statement was updated in 2017 to take into account the adoption of the new investment management approach and outsourcing to third parties. The 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 has been agreed. Reporting is provided against these metrics on a quarterly basis by the Executive function and in the form of a 'risk profile snapshot' from WTW and activity is monitored against stated triggers and limits.

There were three risk appetite measures outside the following triggers during the year which remained in that position at the year end:

- Performance of subsidiaries against business plan – Alliance Trust Savings failed to achieve its financial target
- Demand for Trust Shares >1% below the sector six-month average
- NAV performance below an outperformance of 1.5% over the MSCI ACWI over a rolling three-year period

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. Under each of the risk headings in the table below, the sub-risk categories have been updated to align with the changes made to the risk management processes during the year.

MARKET AND PRUDENTIAL RISKS

Risk	Description	Mitigating activities	Change in year
Investment Risk	Investment performance fails to deliver sufficient capital growth due to poor stock selection, sector allocation or wider market movements.	• Robust investment process which is guided by the investment policy. The Board regularly reviews investment performance and governance, and must approve any changes to the investment mandate. • Compliance with investment parameters is tested by WTW, which also contributes to the stress and scenario testing of the portfolio through an 'Early Warnings Indicators' analysis. • Investment risk is managed by WTW within parameters set by the Board which reviews regular reports from WTW.	< >
Credit and Counterparty 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.	• The Group has adopted a policy of working only with creditworthy counterparties and obtaining sufficient collateral where appropriate to mitigate the risk of financial loss from defaults. • Investment transactions are carried out with well-established, approved brokers and on a cash against receipt or cash against delivery basis.	< >
Financial and Prudential Reporting	Level of capital held to cover the Group risks is not sufficient.	• The consolidated Group Internal Capital Adequacy Assessment Process (ICAAP) includes a risk assessment carried out to identify the principal risks that may adversely impact the Trust due to its being a bank holding company. • The Board reviews the capital structure of the Trust and Group on a semi-annual basis. Net gearing has been limited to no more than 30% of the net assets of the Trust. • WTW carries out and reports to the Board on stress and scenario testing on the portfolio.	< >
Liquidity	The Trust does not have sufficient liquid resources to ensure that it can meet its liabilities as they fall due during normal and stressed times. This is the risk that the movement in the fair value of the assets of the Trust is amplified by any gearing that the Trust may have.	• The majority of investments are held in listed entities which pose a reduced risk to liquidity. • Gearing availability and cash positions of the Trust are monitored on a regular basis. • The Committee reviews the consolidated Group Individual Liquidity Adequacy Assessment Process (ILAAP) which involves 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.	< >

OPERATIONAL RISKS

Risk	Description	Mitigating activities	Change in year
Cyber-attack	Failure to ensure that 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 in place to protect the business from cyber-attacks are tested on a regular basis. • Ongoing monitoring of the cyber-security environment to understand any changes to the threats and risks of new attacks. • Business continuity plans are in place should a cyber-attack occur.	^ Increased due to the higher number of outsourced providers.
Outsourcing	Loss arising from inadequate or failed processes, people and/or systems of outsourced functions.	• Through due diligence process in place when selecting third-party service providers. • WTW regularly monitors and reports to the Board on the equity managers and other third-party service providers. • Controls reports from WTW and other service providers are received and reviewed by the Board.	^ Increased due to the higher number of outsourced providers.

CORPORATE GOVERNANCE

Risk	Description	Mitigating activities	Change in year
Corporate Governance	The risk of not meeting and being in compliance with regulatory responsibilities.	• The Board conducts an annual internal review (external review is conducted every three years) of the effectiveness of itself and of its Committees. This enables it to identify new challenges and evolve its response.	< >

INVESTMENT TRUST STATUS

Risk	Description	Mitigating activities	Change in year
Loss of tax status	The risk of not complying with Sections 1158-59 of the Corporation Tax Act and the organisation losing Investment Trust Status.	• WTW reviews the Trust's Investment Trust status and reports on this regularly to the Board.	< >

STRATEGY RISK

Risk	Description	Mitigating activities	Change in year
Performance impacted by external factors	Stock market action involving the Trust results in uncertainty around the business model and impacts on performance (current and future). The increasing risk is due to continued focus by shareholders on delivery of the Trust's strategy.	• The Board regularly monitors KPIs against the business model and strategy, as well as meets with shareholders to understand expectations and communicate business updates. • WTW regularly reviews and reports on the political and economic environment. • A Marketing and Investor Relations Working Group has been put in place to focus on Trust communications and marketing activities.	< >

REPUTATIONAL

Risk	Description	Mitigating activities	Change in year
Reputational	Damage to the Trust's reputation that could lead to negative publicity and adverse impact on financial performance.	• Through due diligence process in place when selecting third-party service providers. • WTW and the Executive function regularly monitor the activities of third-party service providers and report to the Board.	< >

REGULATORY NON-COMPLIANCE

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.	• Regulatory developments are monitored on a regular basis to ensure changes have been implemented effectively. • WTW and the Executive function report on the regulatory environment.	^ Increased due to the higher number of outsourced providers.

CORPORATE RESPONSIBILITY

We report in our Investment Manager's Report (on page 13) how we exercise our stewardship responsibilities demonstrating our commitment to good corporate governance.

The Trust has given discretionary voting powers to WTW which in turn has delegated its voting powers to the equity managers who vote against resolutions they consider may damage shareholders' rights or economic interests.

As an investment trust we have no customers, however, we do believe that we should maintain an open dialogue with our shareholders. During the year we met 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 Trust by ensuring that it captures a range of shareholder views.

Having previously taken a decision to discontinue the Trust support of the Alliance Trust Cateran Yomp, the Alliance Trust Foundation charity has now received its final donation and will be considering how best to continue to support the communities in which our offices are located with a significantly reduced income. During 2017 the Alliance Trust Foundation distributed £44,600 to charities. The charities supported were, in the main, those which are based in the communities where we had offices or where employees of the Trust and its subsidiaries live i.e. Dundee, Edinburgh and London. The Trust also supports the V&A Museum of Design, Dundee which is due to open in September 2018.

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

Recruitment, development and promotion are 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 been working with the Trustees of the Trust's final salary pension scheme, which closed to new members in 2005, to secure all the members' benefits. This has been achieved through a buy-in group annuity policy which was purchased in 2016, enabled by a £19.2m contribution by the Trust. The insurer will be issuing individual annuities to all members and it is intended that the pension scheme will be formally wound up in 2018.

The table below provides the gender split of the Board of the Trust as at 31 December 2017. The Trust has five employees of whom two are part time (one male and one female).

As at 31 December 2017	Male	Female
Board	5	1
Senior Managers	1	1
Other Staff	0	3
Total Workforce (including Directors)	6	5

In 2017 the Board appointed Georgeson, a trading division of our Registrars, to carry out an exercise to reunite shareholders who our Registrars believed were 'lost' and were not receiving either dividends or mail. The appointment was made on the basis that there would be no cost to our other shareholders for this exercise and that those 'lost' shareholders who elected to use Georgeson to be reunited with their investment would pay a fee for their service. Georgeson identified 291 accounts representing over £346,000 of unclaimed dividends and 719,710 shares to be contacted. By January this year over £37,000 of previously unclaimed dividends had been paid out and over 163,000 shares had been reunited with the entitled shareholder.

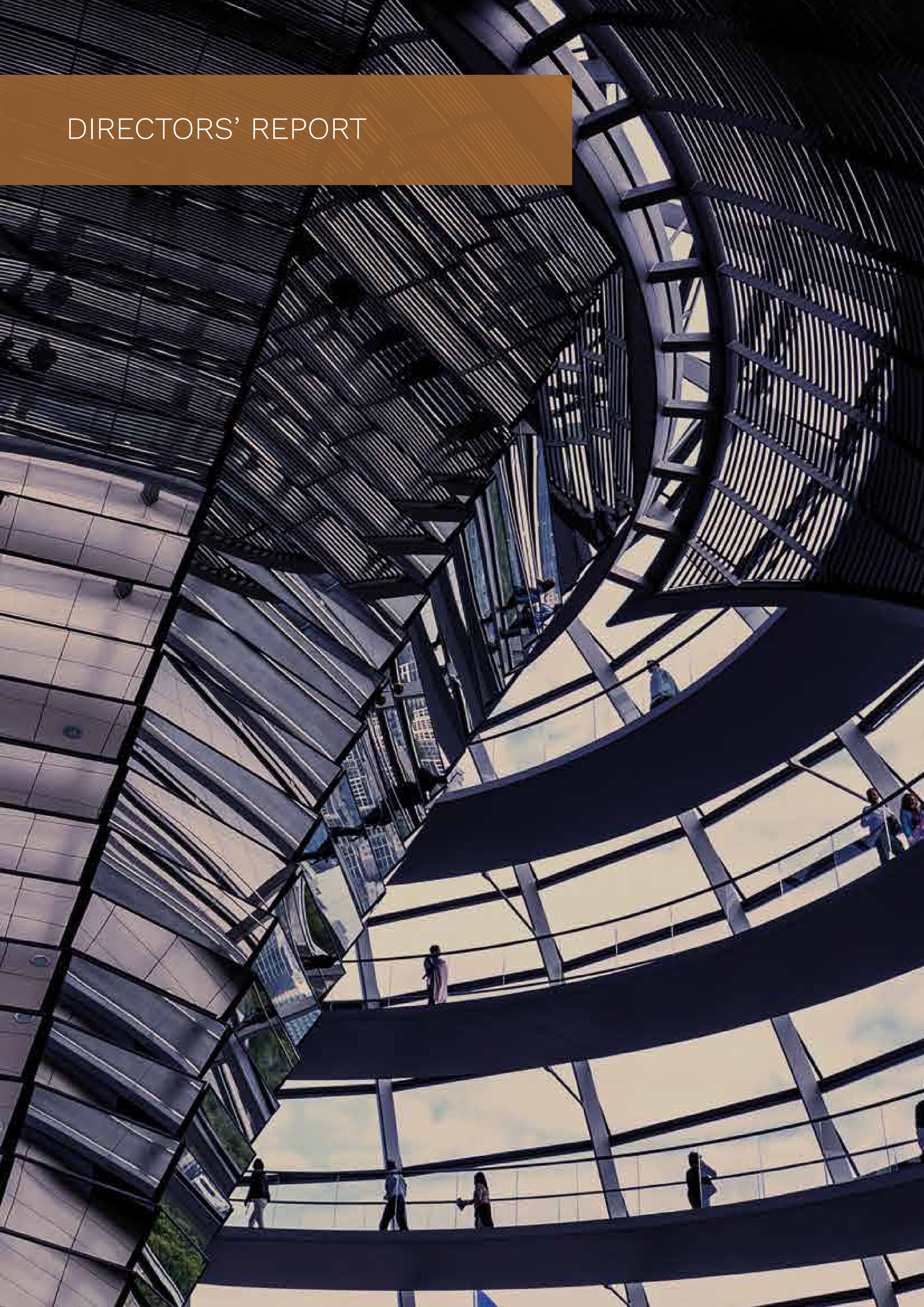
The Trust considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Trust considers its supply chains to be of low risk as its suppliers are typically professional advisers.

The Investment Association maintains a public register of companies who have received significant shareholder opposition to proposed resolutions. At our General Meeting on 28 February 2017 22% of shareholders voted against the repurchase of shares from Elliott.

The Strategic Report (comprising the inside cover to page 26 of this document and the viability statement on page 41) has been approved by the Board and signed on its behalf by

Lord Smith of Kelvin
Chairman

DIRECTORS' REPORT



BOARD OF DIRECTORS

Lord Smith
Chairman

Lord Smith joined the Board in 2016. He is also currently Chairman of IMI PLC, British Business Bank plc and Forth Ports Limited as well as Chancellor of the University of Strathclyde.

He has previously held roles of Chief Executive Officer of Deutsche Asset Management, Chairman of The Weir Group, SSE PLC and the UK Green Investment Bank and Non-Executive Director of Standard Bank Group Limited.

A chartered accountant by profession, Lord Smith was formerly President of the Institute of Chartered Accountants of Scotland. He has also been a Governor of the BBC, and a member of the Financial Services Authority and the Financial Reporting Council.

Gregor Stewart
Deputy Chairman and Non-Executive Director

Gregor joined the Board in 2014 and chairs Alliance Trust's Audit and Risk Committee. He is also a Director of Alliance Trust Savings, Chairman of Intrinsic Financial Services and a Non-Executive Director of Direct Line Insurance Group plc, FNZ (UK) Limited and its holding company.

Previously, he was Finance Director for the insurance division of Lloyds Banking Group, including Scottish Widows, and a member of the Group's Finance Board.

Bringing over 20 years' experience at Ernst & Young, with ten years as a partner in the firm's Financial Services practice, Gregor is also Honorary Treasurer for the charity International Alert.

Karl Sternberg
Senior Independent Director

Karl has been a member of the Board since 2015. He is currently a Non-Executive Director of JPMorgan Elect PLC, Jupiter Fund Management PLC, Monks Investment Trust PLC, Lowland Investment Company PLC, Herald Investment Trust PLC, Railpen Investments and Clipstone Logistics REIT PLC.

Previously, he was a founding partner of Oxford Investment Partners. He has had an executive career in fund management at Deutsche Asset Management, latterly as both its Global Head of Equities and Chief Investment Officer for Europe and Asia Pacific.

BOARD EXPERIENCE

The Board recognises that it requires a mix of skills and experience to ensure that the Trust 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	√	√	√	√	

Anthony Brooke
Non-Executive Director

Anthony joined the Board in 2015 and chairs Alliance Trust's Remuneration Committee. He is currently a Non-Executive Director of Quintessentially UK.

Anthony sits on the Investment Committee of the National Portrait Gallery and of Christ's College, Cambridge and acts as an adviser to a number of endowments. He is also a Trustee of the Portrait Trust. Anthony was previously a Vice Chairman of S.G. Warburg & Co. Ltd and until 2010 was a Non-Executive Director of the PR consultancy, Huntsworth PLC.

Clare Dobie
Non-Executive Director

Clare joined the Board in 2016. She is currently Senior Independent Non-Executive Director of Aberdeen New Thai Investment Trust PLC and is a Non-Executive Director of F&C Capital and Income Investment Trust PLC and Schroder UK Mid Cap Fund PLC.

Clare ran a marketing consultancy from 2005-2015. Before that she was Group Head of Marketing at GAM (formerly Global Asset Management) and served on its Executive Business Committee. Prior to that, Clare held a number of roles at Barclays Global Investors, including Head of Marketing.

Chris Samuel
Non-Executive Director

Chris joined Alliance Trust PLC's Board in 2015. He is currently Chairman of Defaqto and BlackRock Throgmorton Trust PLC and a Non-Executive Director of JPMorgan Japanese Investment Trust PLC, Sarasin LLP, UIL Limited and UIL Finance Limited.

Chris was Chief Executive of Ignis Asset Management from 2009-2014 and was previously a Director and Chief Operating Officer of Gartmore and Hill Samuel Asset Management and a partner at Cambridge Place Investment Management. He is a chartered accountant.

POLICY ON BOARD DIVERSITY

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. In reviewing Board composition the benefits of all aspects of diversity will be considered 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 Board 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.

CORPORATE GOVERNANCE

We report here on how the Board runs your Trust and the changes that we have made during the year to simplify governance.

The board of Alliance Trust Savings is independent from that of the Trust. The Board and Audit and Risk Committee however still maintain oversight of the performance of this operating subsidiary.

The Board seeks to ensure that the Trust's new investment management and operational arrangements are functioning effectively. We have taken the opportunity to remove two of our Committees, the Management Engagement Committee and Nomination Committee, and any decisions that would have formerly been taken by these Committees will now be made by the Board. We decided to retain our Remuneration Committee as, while we now no longer have Executive Directors, there are still decisions required in connection with historic share award schemes and the Trust now has five employees. The terms of reference of the two standing Committees (Remuneration and Audit and Risk) can be found on our website www.alliancetrust.co.uk

The Trust has complied with the recommendations of the AIC Code of Corporate Governance issued in July 2016 except that due to the outsourced investment and administration model and appropriate reporting from WTW's Risk and Compliance functions the Board feels that there is no requirement for an internal audit function. We report on pages 34 to 40 the checks and controls that we have in place and on pages 49 to 51 the disclosures required under 7.2.6 of the Disclosure and Transparency Rules. This report will describe how the Board applies the 21 principles of the AIC Code in practice.

Lord Smith of Kelvin
Chairman

Principle	
1. The chairman should be independent.	Lord Smith was appointed in February 2016. He had no previous involvement with the Trust and the Board considers that Lord Smith is, and has been since his appointment, an independent Non-Executive Director.
2. A majority of the Board should be independent of the manager.	As at 31 December 2017 the Board comprised six independent Non-Executive Directors. All of the Board are independent of executive management and are wholly independent of the Trust's various investment managers. WTW has appointed Jupiter Asset Management as one of the underlying portfolio managers. Karl Sternberg is a director of Jupiter Fund Management PLC. However, the engagement and removal of portfolio managers is discretionary on the part of WTW and the Board considers that this does not impact on Karl Sternberg's independence. The Remuneration Committee approved an additional payment to Clare Dobie to reflect time spent over and above what would normally be expected of a Non-Executive Director (details can be found on page 43). The Board did not consider that the making of this payment in any way impacted on the independence of her as a Director.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	Each Director is subject to annual re-election by shareholders at the Trust's AGM. Directors are submitted for re-election only if the Board considers that they continue to be independent, contribute effectively to the work of the Board and have confirmed that they have sufficient time to devote to the work of the Board.
4. The Board should have a policy on tenure, which is disclosed in the annual report.	New Directors are appointed with an expectation that the Director's term of appointment shall normally be for the period commencing with his or her appointment to the Board and ending on the seventh Annual General Meeting of the Trust following appointment. Following that term the Director may be appointed for a further term of between one and three years. Each Director is however required to stand for re-election each year and their appointment will terminate should they not be re-elected by the shareholders.
5. There should be full disclosure of information about the Board.	Details of the Directors are set out on pages 28 and 29. The Directors have a broad range of investment, professional and commercial expertise and experience, gained overseas as well as in the United Kingdom.

Principle	
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	The Board considers that it has achieved this aim. Brief biographical details of each Director are set out on pages 28 and 29 along with the Board's policy on diversity.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The external review of the Board's effectiveness is reported on in more detail on page 33.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Directors' Remuneration Report on pages 42 to 45 details the process for determining the Directors' remuneration and sets out the amounts payable.
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Board oversees the recruitment process, which will include the use of a firm of recruitment consultants, with all the Directors having the opportunity to input into the process. The Senior Independent Director would lead the process of selecting a new Chairman.
10. Directors should be offered relevant training and induction.	Directors newly appointed to the Board are provided with an introductory programme covering the Trust's strategy, policies and operations, including those outsourced to third parties. Thereafter, Directors are given, on an ongoing basis, key information on the Trust's investment portfolios, financial position, internal controls and details of the Trust's regulatory and statutory obligations (and changes thereto).
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	This principle does not apply to the Trust, being a long-established investment trust.
12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board is scheduled to meet on four occasions during the year with the investment manager present for each meeting. All the Directors have made themselves available throughout the year for additional meetings both as a Board or Committee but also with members of the Executive function and the investment managers.
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	WTW monitors investment performance and all associated matters on an ongoing basis and presents regular reports to the Board both at formal meetings and during the interval between meetings. At each meeting presentations are given and reports made covering investment performance, asset allocation and gearing. The Executive function supports the Board in relation to marketing and investor relations which are also considered at Board meetings. In addition there is a Working Group comprising Directors and representatives from the Executive function, WTW and marketing and PR agencies that meets on a monthly basis to discuss and agree marketing and PR activity.
14. Boards should give sufficient attention to overall strategy.	As previously reported the Board has undertaken a significant review of its operation and has implemented major changes. The Board continues to keeps its overall strategy and performance under review.
15. The Board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).	The Board reviews the performance of the investment manager in terms of both investment performance and cost on a regular basis against agreed service levels. The Remuneration Committee reviews the performance and the contractual arrangements of the Executive function.
16. The Board should agree policies with the manager covering key operational issues.	The Board has set out in its agreement with WTW certain key operational controls through a Service Level Agreement and Key Performance Indicators. WTW in turn sets out how the equity managers it appoints make their investments as set out on page 8.

CORPORATE GOVERNANCE
CONTINUED

Principle	
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board uses its corporate broker to monitor the share price and the discount to Net Asset Value (NAV) on a daily basis. The Board makes use where appropriate of its share buyback authority to purchase shares (at a discount) in order to add to the NAV per share and to support management of the discount to NAV.
18. The Board should monitor and evaluate other service providers.	The Executive function monitors and evaluates the performance of the Trust's various service providers. The Board receives reports on the performance of significant service providers from the Executive function and internal control assurance reports from material suppliers. Regular review meetings are held with significant suppliers.
19. The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	The Chairman is responsible for ensuring that there is effective communication with the Trust's shareholders. The shareholder register is monitored and analysed and there is a programme for meeting or speaking to significant investors and private client stockbrokers, wealth managers and advisers. The Chairman of the Remuneration Committee is available to discuss remuneration matters. The Trust encourages attendance at its Annual General Meeting as a forum for communication with individual shareholders and may organise occasional investor forums or webinars (details will be provided on the Trust website). The Directors may be contacted through the Company Secretary at the address shown on page 90.
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board has a process under which all major communications and changes to the website are approved by at least one Director and a member of the Executive function. Such communications would normally be made by the Trust and not the investment manager.
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding the shares.	The Board seeks to communicate effectively with its shareholders. The Annual Report and Accounts, Interim Report and monthly factsheets are issued to all shareholders who request a copy. Through its subsidiary Alliance Trust Savings, the Board affords each of Alliance Trust Savings' customers who holds shares in the Trust the opportunity to attend and vote at the Annual General Meeting and to be treated, so far as possible, as shareholders in their own name. All this information is readily accessible on the Trust's website.

BOARD AND COMMITTEE ATTENDANCES

The Board has moved to having four scheduled Board meetings and up to four scheduled Board Committee meetings in the year, supplemented with ad hoc meetings to discuss matters arising between these meetings. Other than the Chairman, who is not a member of the Audit and Risk and Remuneration Committees, all Directors are members of all Board Committees.

Scheduled Meeting Attendances	BOARD		AUDIT AND RISK		REMUNERATION		NOMINATION		MANAGEMENT ENGAGEMENT	
Director	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Lord Smith	4	4	-	-	-	-	1	1	1	1
Anthony Brooke	4	4	2	2	1	1	1	1	1	1
Clare Dobie	4	4	2	2	1	1	1	1	1	1
Chris Samuel	4	4	2	2	1	1	1	1	1	1
Karl Sternberg	4	4	1	2	1	1	1	1	1	1
Gregor Stewart	4	4	2	2	1	1	1	1	1	1

In addition to the above scheduled meetings, members of the Board met either in person or by telephone on 20 occasions during the year and there were four additional Audit and Risk Committees held.

BOARD EVALUATION

2016 EVALUATION

This evaluation identified that there was significant overlap between the work of some of the Committees and that of the Board. The Board reviewed the remit of its Committees and determined that the work of the Nomination Committee and Management Engagement Committee should in the future be dealt with by the Board and the Committees were therefore dissolved.

2017 EVALUATION

This year the Board and Committee evaluation was externally facilitated. The evaluation was carried out by the corporate advisory firm, Lintstock Limited, and the outputs from the evaluation were considered by the Board in February 2018.

The performance of the Board and Committees was rated highly overall, although a number of areas were identified for potential improvement during 2018. These were:

- addressing Alliance Trust Saving performance – the Audit and Risk Committee and Board receive regular reports from the Chief Risk Officer and Chief Executive Officer of Alliance Trust Savings, including specific updates on steps being taken to address the customer service issues that have been encountered by Alliance Trust Savings.
- focusing on marketing and investment performance – the Company is recruiting an individual to manage the Company's marketing and communications and more time will be provided in scheduled Board meetings to enable the Board to consider marketing challenges and how demand for the Company's shares is created as well as investment performance. A Working Group was established comprising three Directors, the Company Secretary and advisers to improve marketing and communications.
- developing the relationship with WTW – the Company will be working with WTW to further develop communications about its role.
- discount management – while the discount averaged 5.4% during 2017, the Board will continue to take steps to try to maintain or improve the discount.

The evaluation also identified the sale of the private equity portfolio as a priority and this is being actively pursued.

AUDIT AND RISK COMMITTEE

In this section we provide information on the main areas focused on by the Audit and Risk Committee over the year. The Committee plays a significant role in ensuring that the Trust's financial statements are properly prepared and that the systems of internal controls in place are effective and appropriate. The Committee monitors how effectively risk is managed and reviews and challenges the appropriateness of the Trust's Risk Appetite, its application 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 2017	
Risk Appetite	The Committee considered and updated its risk appetite and this is reported on in more detail on pages 22 to 25.
Final Salary Pension Scheme	Following the Board's decision in 2016 to derisk the Trust's final salary pension scheme ('the Scheme') through the purchase of a bulk annuity policy, the Trustees of the Scheme are now arranging for individual annuities to be issued to all members. The Committee has been kept updated on progress being made by the Trustees and with all Group companies now having ceased to participate in the Scheme it is expected that the winding-up of the Scheme will be completed in 2018.
Regulatory Compliance	The Committee reviewed a number of items required to ensure the Trust's regulatory compliance. These included the consolidated Group Internal Capital Adequacy Assessment Process (ICAAP) and the consolidated Group Individual Liquidity Adequacy 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. It also reviewed the content of the Key Information Document prepared by WTW in accordance with the requirements of the Packaged Retail and Insurance' Based Investment Products (PRIIPs) Regulation.
Internal and External Auditors	The Committee considered both its internal and external audit requirements. Due to the Trust's outsourcing its investment and administrative arrangements, the Committee concluded that there was no need for an internal audit function. The Committee evaluated, and was satisfied with, the performance of the external auditor. In keeping with legislation the Committee has decided to tender the external audit function in 2018. The existing external audit firm will be included in the process.
Valuation of Unlisted Investments	The valuation methodology used to value the investments in the subsidiaries and private equity investments can be found in Note 22.9 of pages 81 to 84. The Committee took advice from an external valuer 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 determined its value.
Review of Annual and Interim Accounts	The Committee considered the content of the Interim Accounts and the Annual Report and Accounts of the Trust before recommending approval to the Board. The Committee concluded that the Trust's accounts were fair, balanced and understandable.
Alliance Trust Savings	The Committee received quarterly reports from the Chief Risk Officer of Alliance Trust Savings on its risk and compliance environment and, in particular, on regulatory compliance and customer service issues. Alliance Trust Savings also reported on cyber-security and the steps taken to protect it, and the Trust, from cyber incidents.
Outsourcing	The Committee considered a number of papers setting out how financial controls and risk would be managed following the appointment of WTW and set out the extent of reporting that it required to be assured that appropriate risk management and internal controls would be in place.

INTERNAL CONTROLS

The Board has an ongoing process for the identification, evaluation and management of the significant risks faced by the Group. This process was reviewed during the year as detailed on page 22. It helps the Board to carry out a robust assessment of the principal risks to the Trust, and assist its review of the internal controls that are in place to ensure its are designed effectively to facilitate operations as well as ensure:

- The assets of the Group are safeguarded;
- Proper financial and accounting records are maintained; and
- The financial information used for reporting to stakeholders is reliable.

The Committee also receives regular reports from the Chief Risk Officer and the Chief Executive Officer of Alliance Trust Savings, so that the impact of risks affecting that business can be taken into consideration when managing the risks affecting the Trust. The performance of the Committee was considered as part of the Board evaluation which is reported on page 33.

BOARD

- Responsible for determining the risk appetite level the Group is willing to take to meet its strategic objectives.
- Oversight of the Group's risk management framework and internal control systems.

AUDIT AND RISK COMMITTEE

- Regular review of all material financial, operational and compliance controls, including their effectiveness.

During 2017, the Audit and Risk Committee challenged the risk positions and internal controls put in place by the Trust and its various service providers. Its review included consideration of whether any risk appetite levels approved by the Board had been breached.

After the year end the Committee received WTW's report on the effectiveness of the risk management and internal control systems; including an Independent Service Auditors' Assurance Report (ISAE 3402 Type 1) on Internal Controls prepared by KPMG LLP. The Committee also received reports from the Custodian and the Administrator.

AUDIT AND RISK COMMITTEE
CONTINUED

CHANGES TO THE INTERNAL CONTROLS GOVERNANCE ARRANGEMENTS IN 2017

Prior to 1 April 2017, the Trust relied on the internal control systems put in place by Alliance Trust Investments (ATI). The Committee received reports from the Risk and Compliance functions of ATI which included findings from the combined risk assurance and internal audit approach adopted in 2016. The Trust appointed WTW on 1 April and since that date has relied on the internal controls systems put in place by WTW.

The Audit and Risk Committee reviews reports on a regular basis from WTW's risk management and compliance functions which set out its risk management responsibilities under the 'Three Lines of Defence' model, as follows:

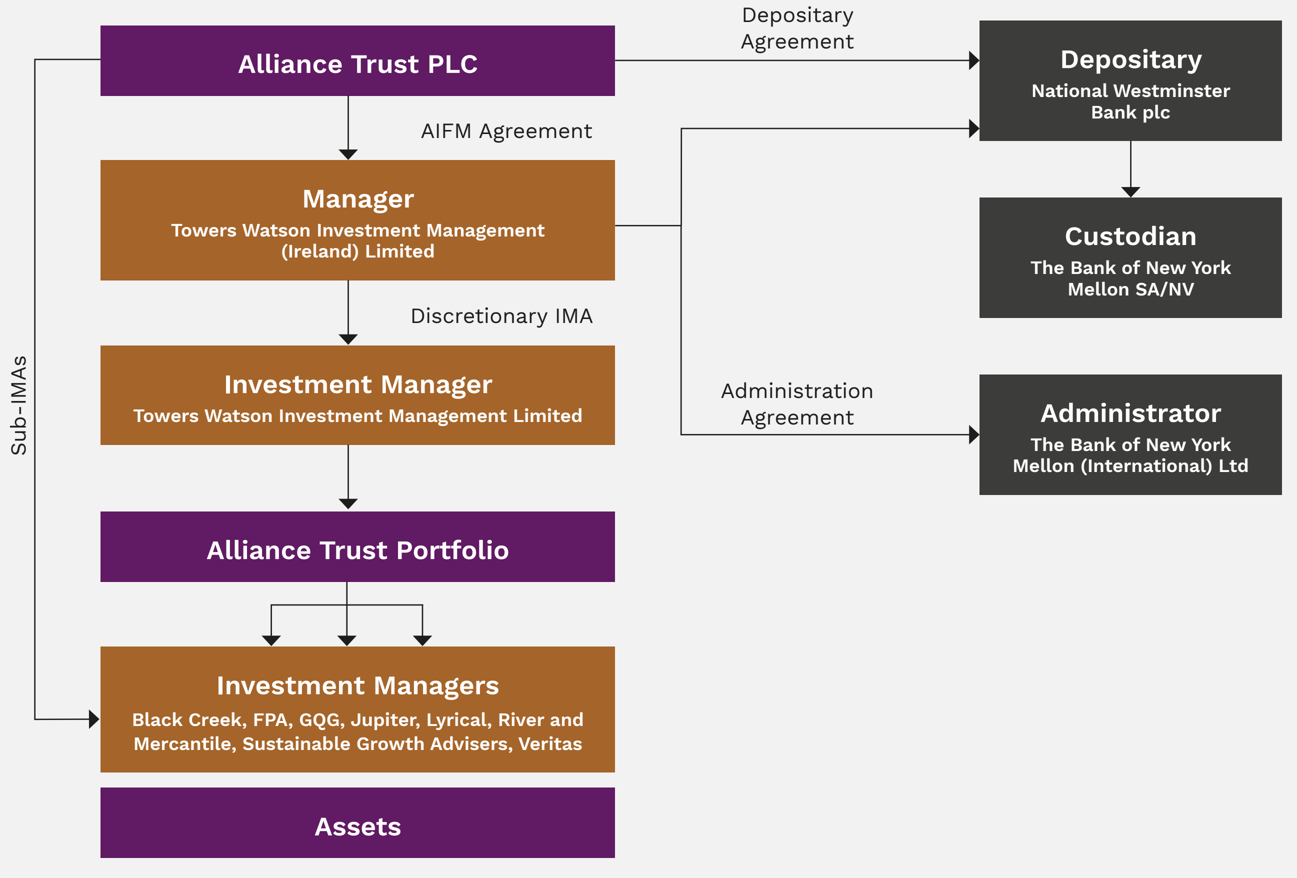
1. Line management and staff in business units – maintain effective controls on a day-to-day process;
2. Risk team in the risk management function – facilitates and monitors the implementation of risk management policies and processes and monitors adherence to regulation; and
3. Other independent assurance functions – Depositary functions which provide external and/or independent challenge.

WTW performs operational due diligence on the underlying portfolio managers and reports to the Audit and Risk Committee on a quarterly basis on a 'Risk Profile Snapshot' of the portfolio supported by stress-testing analysis on the Trust's risk parameters and portfolio reporting.

WTW's Compliance team also reports on a quarterly basis to the Audit and Risk Committee on compliance issues affecting WTW and the Trust.

In addition to the reports from WTW, the Audit and Risk Committee receives and considers a quarterly Risk and Compliance report from the Trust's Executive function which highlights any breaches of the Trust's risk appetite measures.

Alliance Trust Savings continues to operate a three lines of defence model. The Internal Audit function, which is outsourced, provides independent assurance 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 Alliance Trust Savings Chief Risk Officer reports to the Audit and Risk Committee on a quarterly basis.



DEPOSITARY

The Trust has appointed a Depositary, National Westminster Bank plc. The Depositary is responsible for:

- The safekeeping of all custodial assets of the Trust;
- Ensuring its cash flows are properly monitored;
- Verifying and maintaining a record of all other assets of the Trust; and
- The collection of income that arises from the Trust's assets.

It is the duty of the Depositary to take reasonable care to ensure that the Trust is managed in accordance with the FCA FUND Sourcebook, the Trust's Articles of Association and the AIFM Directive.

ANNUAL REVIEW OF INTERNAL CONTROLS AND FINDINGS

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 provide only reasonable assurance and not absolute assurance against regulatory breaches, material misstatement or loss.

The Audit and Risk Committee conducts an annual review on the effectiveness of the risk management framework and internal control systems in place to mitigate any significant risks. The findings of this review are communicated to the Board and actions proposed for the future are approved.

The Board recognises that the environment in which the Group and Alliance Trust Savings operate is complex and constantly evolving. The Board supports and guides the Group 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. The Board of Alliance Trust Savings carries out the same function in relation to Alliance Trust Savings.

The 2017 assessment and internal controls assurance reports did not highlight any significant weaknesses or failings in the risk management framework and internal control systems. The Board does however recognise that these are early days under the new structure and that there are areas where improvements can be made.

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.

As part of the outsourcing arrangements with WTW, the financial reporting process is managed by WTW, which has delegated certain accounting responsibilities to The Bank of New York Mellon. WTW performs full oversight over the activities of The Bank of New York Mellon and reports to the Trust on a quarterly basis.

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

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

The Audit and Risk 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 Trust's performance, business model and strategy. In arriving at its 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 establishment of a working group of the Board and members of the Executive function and WTW as well as marketing and PR advisers 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; and
- Independent external comment.

The Committee considered the steps outlined above and the content of the document. After review the Committee was 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.

AUDIT AND RISK COMMITTEE
CONTINUED

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 Chairman. Such assignments are normally put out to tender. Last year £30,550 was paid to the Auditor, in respect of work done on the interim report and in relation to supporting the buyback of shares from Elliott and associated regulatory notifications.

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 the Committee Chairman and members of the Executive function. 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 2016, 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.

The Financial Reporting Council's Audit Quality Review team selected to review the audit of the 31 December 2016 financial statements as part of its 2017 annual inspection of audit firms. The focus of the review and its reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit and Risk Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The Audit and Risk Committee confirms that there were no significant areas for improvement identified within the report. The Audit and Risk Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

The Audit and Risk Committee also received and reviewed the FRC 2016/2017 Audit Quality Review on Deloitte's audits generally and discussed the findings with the engagement partner.

APPOINTMENT OF AUDITOR

Following a tender, Deloitte LLP was appointed after approval of the members at the 2011 Annual General Meeting. Deloitte LLP has been reappointed at subsequent AGMs and is proposed for reappointment at our AGM in April 2018. The recommendation to reappoint Deloitte LLP is not automatic.

In the course of the year the Chairman of the Committee has met 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 it applies to the audit process and has recommended the reappointment of Deloitte LLP for a further year. In keeping with legislation a tender will be carried out for the role of External Auditor during 2018 with approval for the appointment of the preferred firm being sought from shareholders at the AGM to be held in 2019.

The Trust 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 2017.

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.

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 Trust 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 Trust'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 Trust 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 Trust 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 Trust's business activities are set out on page 4 with the principal risks which could impact on performance set out on pages 23 to 25. The financial statements as set out on pages 58 to 88 along with an analysis of its borrowings in Note 14 on page 74. In their assessment of Going Concern the Directors consider both liquidity and solvency risks and whether the Trust has adequate financial resources to continue in operational existence for at least the next 12 months.

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 Trust's assets are in listed securities on recognised stock exchanges which are readily realisable even in volatile markets. In addition as at 31 December 2017 we also had £167m 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 2017 the Trust's total net assets were £2.7bn. As at 31 December net gearing of 5.5% and gross gearing of 9.4% are comfortably below the investment policy gearing restriction of 30% of net assets at any given time.

Given that most of the likely liquidity requirements such as loan payments and dividends are timetabled and therefore readily foreseeable, while others such as share buybacks are subject to the Trust's discretion, the Directors are satisfied that unexpected liquidity and solvency needs are not significant relative to the size of the Trust'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 22 on pages 77 to 81.

The Directors consider that the Trust 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

In accordance with the 2014 UK Governance Code the Directors have assessed the prospects and viability of the Trust over a longer period than the 12 months required by the Going Concern statement. This assessment has been made taking account of the current position of the Trust and its prospects, the corporate strategy and planning process of the Trust and the Trust's principal risks, both current and medium and long term, as detailed in the Strategic Report on pages 23 to 25.

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 prudential consolidated Group Internal Capital Adequacy Assessment Process (ICAAP). Even the most severe of these scenarios does not result in a breach of our banking covenants, borrowings not to exceed 30% of net tangible assets and tangible net asset value of no less than £1.5bn.

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 also considers the sustainability of the Trust's dividend and it believes that our progressive dividend policy is also sustainable over the same time frame. The ICAAP provides a risk assessment to identify the principal risks that may adversely impact the Group. These include inappropriate business strategy in relation to investor needs, unfavourable markets or inappropriate asset allocation, failure of the Trust's main service providers and regulatory and conduct risks. The risk management framework and controls have various regular early warning indicator and risk outlook signposts (trends) and triggers (events) to 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 Trust and prudential consolidated Group.

The Trust's business model, strategy and the embedded characteristics of an investment company have helped define and maintain the stability of the Trust over many decades. The nature and activities of the Trust as a closed-end investment trust lead to a reasonable expectation the Trust will be able to continue in operation and meet its liabilities as they fall due in the future. Contributory factors in this assessment include:

- The Trust has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities.
- As an investment trust, investing in a global equity portfolio, the Trust is unlikely to be adversely impacted as a direct result of the Brexit Referendum.
- The Trust is inherently structured for long-term outperformance, rather than short-term opportunities, with five years as a sensible timeframe for measuring and assessing long-term investment performance.
- The Trust is able to take advantage of its closed-end investment trust structure.
- The Trust has the ability to hold a proportion of long-term less-liquid private equity investments and mineral rights providing diversity to the income and returns of the portfolio.
- The Trust has put in place unsecured long-term borrowing arrangements.
- The ICAAP provides a discipline for regular and robust review of revenue and expenditure forecasts and assessment of principal risks.
- The Trust maintains large revenue and capital reserves.
- The Trust retains title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.

Based on its assessment and evaluation of the Trust's current financial position, its future prospects, and long-term investment horizon and financing, the Board therefore concludes there is a reasonable expectation that the Trust will be able to continue in operation and meet its liabilities as they fall due over the coming five years and beyond; the Board expects this to continue over many more years to come.

REMUNERATION COMMITTEE

Set out here is the Directors' Remuneration Report for the year ended 31 December 2017. This report includes our current Remuneration Policy which was approved in 2016, and also says how this policy has been implemented during the year. As a result of the reduction in the Directors' valuation of Alliance Trust Savings, the Committee exercised its discretion under the rules of the Long-Term Incentive Plan to reduce the vesting percentage of the shares awarded for the three-year performance period which ended on 31 December 2017. We have made no changes to Directors' fees for the year.

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 Trust 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 Trust'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 Trust. 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 Trust'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 Trust, 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.

CONSIDERATION OF SHAREHOLDER VIEWS

We regularly engage with our shareholders on all aspects of performance and governance. In the past year we have not sought the views of our principal shareholders on remuneration issues. However, any comments received from shareholders will be carefully 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 Trust's registered office and are also available at the Annual General Meeting. Non-Executive Directors are appointed subject to annual re-election at the Trust's Annual General Meeting and their appointment may be terminated at any time by notice given by three quarters of the other Directors.

NON-EXECUTIVE DIRECTORS' FEES

Annual Fees for 2018 remain unchanged from 2017 and are	
Chairman*	**£120,000**
Deputy Chairman	**£80,000**
Basic Non-Executive Director Fee payable to each Director (other than Chairman and Deputy 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, other than the Chairman, 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 the board of Alliance Trust Investments to 31 March 2017 and to Gregor Stewart in respect of his appointment to the board of Alliance Trust Savings.

The Remuneration Committee has reviewed the fees paid to Directors in 2017 and agreed that they should remain unchanged. The Committee did, however, agree to make a one-off payment of £30,000 to Claire Dobie to reflect the time she has spent over and above what could reasonably have been expected relating to formulating the Trust's marketing strategy and to changes to our branding, and to our website.

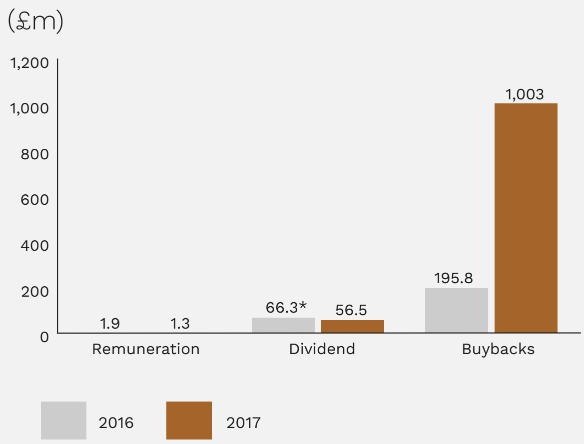
In addition to the fees received from Alliance Trust PLC, where a Non-Executive Director also sits on the Board of a subsidiary company, the Director is paid a fee for that role. The level of fee is set by the subsidiary company.

The Chairman's statement on Corporate Governance refers to a review of the Board's Committee structure which took place in 2017. We have retained the approach of paying a single composite fee for membership of Board Committees and this fee remains unchanged for 2018. A further review will be undertaken in 2018.

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 Trust on remuneration and distributions to shareholders by way of dividend and share buybacks. In 2016 all services were provided by employees of our investment manager, Alliance Trust Investments, and we therefore provided details of remuneration paid to the Executive Directors and former Executive Directors. In the period since 1 April 2017 the Trust has employed five employees, two on a part-time basis. We disclose for 2017 the payments made to them and to the former Executive Directors. These disclosures include the value of LTIP awards which vested in 2017 and those which will vest in 2020 for the 2016 and 2017 remuneration figures. The value of these LTIP awards in 2017 is £1.1m.



*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.

Source: WTW.

DIRECTORS' SHAREHOLDINGS (AUDITED)

All Directors are required to hold 3,000 shares in the Trust. Details of the shareholdings of all Directors and their connected persons, together with details of shares acquired, are shown below. None of these shares is subject to performance conditions. In 2017 the Trust issued no options to subscribe for shares.

Directors' shareholdings	As at 1 Jan 2017	As at 31 Dec 2017	Acquired between 31 Dec 2017 and 28 Feb 2018
Lord Smith	18,000	18,000	-
Anthony Brooke	3,000	13,000	-
Clare Dobie	3,030	3,030	-
Chris Samuel	5,096	20,190	36
Karl Sternberg	3,041	13,806	31
Gregor Stewart	24,843	25,011	27

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

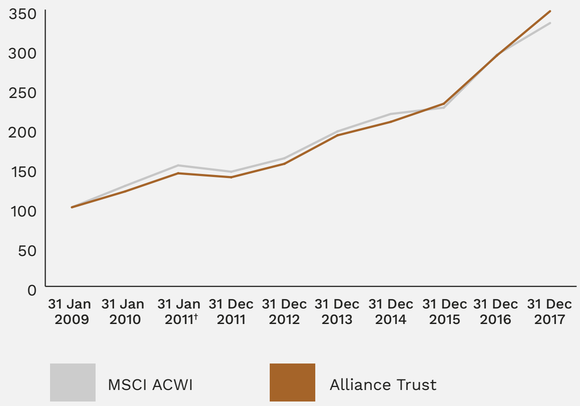
£000	2017			2016		
Non-Executive Director	Company Fees	Fees for Subsidiary Company Appointment	Total	Company Fees	Fees for Subsidiary Company Appointment	Total
Lord Smith	120	-	120	109	-	109
Anthony Brooke	46	-	46	46	-	46
Clare Dobie	71	-	71	25	-	25
Chris Samuel	41	9	50	41	35	76
Karl Sternberg	46	-	46	76	-	76
Gregor Stewart	94	35	129	106	29	135

ADVISERS

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

PERFORMANCE GRAPH

The graph opposite 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 Trust believes that this is the most appropriate index as it represents the performance of listed equities across a range of global markets and is the one used to measure the performance of the equity portfolio. The Trust's equity portfolio is global in nature and at the year end comprised 90.7% of the total investment portfolio.



†11 months 31 January to 31 December 2011.
Source: MSCI Inc and Morningstar.

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 nine financial periods. The Trust 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 during 2017 and all payments made to her were those required under her contract.

	31 Jan 2010	31 Jan 2011†	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017
Single figure of remuneration	£692,484	£700,232	£1,037,175	£1,809,326	£1,378,444	£1,342,859	£1,376,076	£1,305,215	£831,388
Annual bonus (as percentage of maximum opportunity)	58.4%	50.0%	90.3%	81.5%	57.5%	85.0%	60.7%	nil	n/a
LTIP vesting (as percentage of maximum opportunity)	0.0%	0.0%	0.0%	51.7%	33.9%	12.5%	27.1%	38.9%	62.5%

†11 months 31 January to 31 December 2011.

We have not provided a comparator of the Chief Executive Officer's remuneration with those of the employees within the Group as there has been no Chief Executive Officer since 3 February 2016.

VOTING AT ANNUAL GENERAL MEETING

At the Annual General Meeting held on 27 April 2017, votes cast by proxy and at the meeting in respect of the Directors' Remuneration Report were as follows:

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld (abstentions)
Directors' remuneration report (excluding remuneration policy)	90,720,751	96.92	2,879,764	3.08	93,600,515	1,694,498

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

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld (abstentions)
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 below gives details of the payments made in 2017 to Katherine Garrett-Cox, the former Chief Executive Officer who left the Board on 3 February 2016.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Executive Directors had service contracts which could be terminated on 12 months' notice from the Trust 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 were 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 for these Group share plans. Awards are normally pro-rated for length of service.

Contracts contained specific mitigation provisions should they be terminated. These mitigation provisions were structured to provide monthly payments during the notice period against which any income received during the period was offset. The monthly payment was 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 the Implementation Reports for 2015 and 2016 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 2017. All these payments were within the terms of the Trust's Remuneration Policy which was approved by shareholders on 1 May 2014.

No discretionary payments were made to either of the former Directors in 2017 and all payments made were in accordance with those detailed in the 2015 and 2016 Remuneration Implementation Reports.

Katherine Garrett-Cox

Payment	
Salary and payments in respect of pension during notice period	£93,750
Payment in lieu of contractual benefits	£785
LTIP awards made in 2017	None
Value of LTIP awards vested in 2017†	£678,990
Value of LTIP awards vesting in 2020*	£736,853

Alan Trotter

Payment	
Value of LTIP awards vested in 2017	£270,810
Value of LTIP awards vesting in 2020*	£304,901

†Based on actual share price on date of vesting.

*Based on a share price of 739.1p being the average share price in the last quarter of 2017 and calculated with reference to the three-year performance period to 31 December 2017 but will not vest until 2020.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

£000	2017					2016					
Executive Director	Salary	Taxable Benefits*	Long-term Awards^	Pension**	Total	Salary	Taxable Benefits*	Annual Bonus†	Long-term Awards^^	Pension**	Total
Katherine Garrett-Cox	75	1	737	19	832	425#	93	2	679	106	1,305

*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 739.1p being the average share price in the last quarter of 2017. They will not vest until 2020.

#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.

^^Based on actual share price on date of vesting.

LONG-TERM INCENTIVE PLANS

The last awards under the Long-Term Incentive Plan were made in May 2015 (in respect of the financial year ended 31 December 2014) and no further awards have been or will be made under the Plan. Awards made will be paid subject to the Plan Rules, including the achievement of performance targets.

The table below shows the payout for the awards made in 2015 and which will vest in 2020. These are based on the performance for the period ended 31 December 2017.

This year the Committee used the discretion it has under the Plan Rules to amend the vesting percentage of the awards. The Committee believed that a strict application of the methodology to calculate NAV growth, as set out in the Plan Rules, would result in a vesting percentage that does not accurately reflect the actual performance of the Trust over the three-year performance period. This resulted from the fact that the FactSet data does not take into account the impact of the reduction in the Directors' valuation of Alliance Trust Savings, which was agreed after the year end and is reflected in our 2017 audited balance sheet.

The Committee agreed that the reduction in the value of Alliance Trust Savings should be taken into account in calculating the percentage of the awards which will vest. As a result, the Trust's NAV Rank is 12 and the vesting percentage is 62.5%. The Committee wanted to ensure that the percentage of the awards that vest under the Plan accurately reflected the performance of the Trust over the performance period and it believes the awards made achieve this.

Peer Group^	Ranking out of 23		%
TSR Rank*	6	TSR payout	100
NAV Rank*	12**	NAV payout	25
		Combined payout	62.5

^ The Peer Group can be found on our website www.alliancetrust.co.uk

*Calculated using the average of the Trust's performance 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 12 February 2018, provided by FactSet. The Trust engaged PricewaterhouseCoopers LLP to independently calculate the vesting percentage based on TSR and NAV market data sourced from FactSet. The use of data sourced from FactSet is consistent with that used in prior periods.

**The ranking has been adjusted to reflect the valuation of Alliance Trust Savings agreed post the year end.

Details of the awards made to the former 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.

ALL EMPLOYEE SHARE OWNERSHIP PLAN

The former Executive Directors also participated in the Trust's All Employee Share Ownership Plan (AESOP). They received no payments in 2017.

SUMMARY OF 2014 POLICY: LONG-TERM INCENTIVE PLANS

There were two categories of award 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 Trust 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.

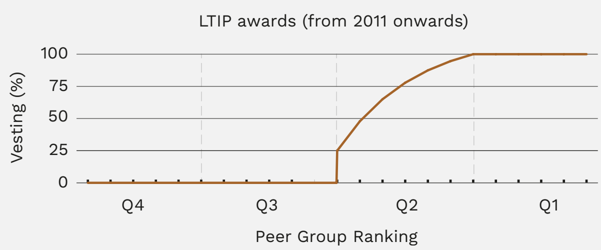
Both awards are based on a combination of two separate performance measures – one relating to growth in NAV and another to TSR – over three consecutive financial years and then compared to a comparator group comprising global investment trusts (these can be found on the Trust website).

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.

PEER GROUP RANKING



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 prior years. All awards were subject to performance conditions as set out on the previous page.

Katherine Garrett-Cox

Scheme and year of award	At 1 Jan 2017	Awards granted in year	Awards vested or will vest	Awards lapsed or will lapse	At 31 Dec 2017	Market price of share on date of award	Vesting date
LTIP 6 May 2015 (Matching Award)	223,471	–	55,561*	167,910	223,471	£5.07	6 May 2020
LTIP 6 May 2015 (Performance Award)	177,514	–	44,135*	133,379	177,514	£5.07	6 May 2020
LTIP 11 April 2014 (Matching Award)	160,086	–	45,524*	114,562	–	£4.537	11 April 2017
LTIP 11 April 2014 (Performance Award)	187,458	–	53,307*	134,151	–	£4.537	11 April 2017

*The number of shares that vested or will vest has been reduced as 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 2017	Awards granted in year	Awards vested or will vest	Awards lapsed or will lapse	At 31 Dec 2017	Market price of share on date of award	Vesting date
LTIP 6 May 2015 (Matching Award)	42,475	–	12,595*	29,880	42,475	£5.07	6 May 2020
LTIP 6 May 2015 (Performance Award)	96,646	–	28,658*	67,988	96,646	£5.07	6 May 2020
LTIP 11 April 2014 (Matching Award)	26,275	–	8,255*	18,020	–	£4.537	11 April 2017
LTIP 11 April 2014 (Performance Award)	99,184	–	31,163*	68,021	–	£4.537	11 April 2017

*The number of shares that vested or will vest has reduced as the former Director was not an eligible employee for the whole of the three-year performance period.

APPROVAL

The Remuneration Report comprising pages 42 to 48 and the Implementation Report comprising pages 44 to 48 have been approved by the Board and signed on its behalf by

Anthony Brooke
Chairman, Remuneration Committee
7 March 2018

OTHER GOVERNANCE

RE-ELECTION OF DIRECTORS

Details of the current Directors can be found on pages 28 and 29. Although the Articles of the Trust provide for re-election every three years the Board has decided that all 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 Chairman and the Board. All are recommended for re-election at the forthcoming Annual General Meeting. Each of our Directors has confirmed that they remain committed to their role and have sufficient time available to meet what is expected of them.

DIRECTORS IN 2017

Name	Designation	Appointed
Lord Smith	Chairman	3/2/2016
Anthony Brooke	Non-Executive Director	24/6/2015
Clare Dobie	Non-Executive Director	26/5/2016
Chris Samuel	Non-Executive Director	23/9/2015
Karl Sternberg	Non-Executive Director	23/9/2015
Gregor Stewart	Non-Executive Director	1/12/2014

All the Directors served the full financial year and remained in office at the date of signing these Accounts.

MAJOR SHAREHOLDERS

As at 28 February 2018 the Trust 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 Trust:

Shareholder	Nature of interest	Number of shares
DC Thomson & Company Limited	Shares	12,610,000 (3.7%)

The above notification made on 8 February 2018 superseded DC Thomson & Company Limited previously notified holding of 15,010,000 shares.

The largest shareholder in the Trust is the nominee company for Alliance Trust Savings which holds its shares on behalf of around 19,500 customers.

Shareholder	Nature of interest	Number of shares
Alliance Trust Savings Nominees Limited	Shares	116,870,789 (34.1%)

DIVIDENDS

The dividend payable to shareholders on 3 April 2018 is disclosed on page 21.

USE OF FINANCIAL INSTRUMENTS

Information on the use of financial instruments can be found in Note 22.3 on page 78 of the Accounts.

DIRECTORS' AND OFFICERS' INDEMNIFICATION

The Trust 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 do not extend to cover claims brought by the Trust 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 Annual General Meeting where they have the opportunity to meet shareholders. Meetings also take place throughout the year with major and institutional shareholders.

INVESTMENT TRUST AND COMPANY STATUS

Alliance Trust PLC is a public limited company limited by shares. HM Revenue & Customs has confirmed that Alliance Trust PLC has investment trust status for all financial periods from 1 January 2012.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

Until 1 April 2017 the manager had been Alliance Trust Investments Limited. Upon completion of the sale of Alliance Trust Investments the Trust appointed Towers Watson Investment Management (Ireland) Limited as manager.

The Trust 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 Trust's Investor Disclosure Document, are provided on the Trust's website at www.alliancetrust.co.uk. Disclosures on Remuneration as required under the AIFMD can also be found on our website.

POST BALANCE SHEET EVENTS

On 24 January 2018 the Trust sold 4,060,792 shares in Liontrust Asset Management PLC at a price of 520p per share. These shares were part of the consideration paid to the Trust on the sale of its subsidiary Alliance Trust Investments.

OTHER GOVERNANCE
CONTINUED

INVESTMENT MANAGEMENT AGREEMENT

Under the terms of the 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 Trust after deduction of (a) the value of non-core assets, (b) the value of the Trust's subsidiaries; (ii) such fees as are agreed from time to time by the Trust in respect of third-party managers; and (iii) fees paid to the managers/administrators of non-core assets. Each of the third-party managers is entitled to a base management fee rate, generally based on the value of assets under management. No performance fees are payable.

The AIFM also receives 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 Trust 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) it was entitled to receive a fee for its services equal to 0.35% of the Trust's adjusted net asset value (excluding holdings in ATI managed funds and the fair value of Alliance Trust Savings and ATI). The agreement was terminable by either ATI or the Trust's giving to the other not less than six months' written notice and it terminated on 31 March 2017.

DIRECTOR DEVELOPMENT

Every new Director receives an individually tailored induction. The Board as a whole received updates on relevant topics.

SHARE CAPITAL AND WAIVER OF DIVIDENDS

The Trust's issued share capital as at 31 December 2017 comprised 347,592,156 Ordinary 2.5p shares of which 456,886 have been acquired by the Trustee of an Employee Benefit Trust ('the Trustee') with funds provided by the Trust 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 98,002 shares deposited by recipients of awards under the LTIP. Each Ordinary share of the Trust is entitled to one vote but the Trustee does not vote in respect of the shares held by it on behalf of the Trust. In the course of the year the Trust acquired and cancelled 145,111,776 shares for £1.003bn.

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 the 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 Trust made use of this provision during the course of the year as detailed above. The Trust will seek the renewal of these authorities at the Annual General Meeting.

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 was 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 2018. 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 Meetings.

After the formal meeting we expect to have presentations from two of our equity managers, Bill Kanko from Black Creek Investment Management and Andrew Headley from Veritas Asset Management.

TOTAL GREENHOUSE GAS EMISSIONS DATA

We report here on all 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 Trust 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 2014	Year to 31 Dec 2015	Year to 31 Dec 2016	Year to 31 Dec 2017	% Change year-on-year
Scope 1	Natural gas Refrigerant loss Company cars	157	163	131	136	+4%
Scope 2 Location based	Purchased electricity	457	422	379	326	-14%
Scope 2 Market based		-	54	37	207	+559%
Scope 3	Downstream leased assets Business travel	316	247	205	171	-17%
Total all Scopes		**930**	**832**	**715**	**633**	**-11%**
Total Scope 1 + 2 location based		614	585	510	462	-9%
Total Scope 1 + 2 per full employee equivalent (FTE)		3.1	2.4	2.0	1.4	-30%

All figures in the above table have been restated to reflect the removal of Alliance Trust Investments from the Group in 2017.

REPORT OF DIRECTORS AND RESPONSIBILITY STATEMENT

The Report of the Directors, including the Directors' responsibility statement on pages 30 to 39, the going concern statement on page 40, the indications of future developments contained on pages 4 and 5 of the Strategic Report and pages 49 to 51 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
7 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its 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.

We have audited the financial statements of Alliance Trust PLC (the 'company') which comprise:

- income statement;
- statement of comprehensive income;
- statement of changes in equity;
- balance sheet;
- cash flow statement; and
- related notes 1 to 26.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • valuation and ownership of listed equity investments and other equity and fund investments and • valuation of unlisted investments including subsidiaries, including consideration of management override of controls through the manipulation of key assumptions and estimates. There were no changes in the key audit matters identified in the prior year.
Materiality	The materiality that we used in the current year was £26.9m which was determined on the basis of 1% of net asset value.
Scoping	Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. The financial reporting process is outsourced to Willis Towers Watson ("the Manager"), who have delegated certain accounting responsibilities to The Bank of New York Mellon. As part of our audit we assessed the key controls in place at the Manager and The Bank of New York Mellon.
Changes in our approach	The following changes were made during the year which altered the scope of the audit: • as noted on page 3 a change in manager from Alliance Trust Investment Limited to Willis Towers Watson, resulting in a change in internal controls tested; and • as described in note 2, the Company no longer prepares group accounts and as such our audit was scoped for the Company only.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern We have reviewed 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 company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 23-25 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on page 22 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on page 41 as to how they have assessed the prospects of the company, 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 company 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 are also required to report whether the directors' statement relating to the prospects of the company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall 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.

Key audit matter title	Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Valuation and ownership of listed equity investments and other equity and fund investments.	Listed equity investments £2,573.1m (2016: £3,163.9m) and other equity and fund investments £129.2m (2016: £93.0m) represent the most significant number on the balance sheet and are the main driver of the Company's performance. The total of these £2,702.3m (2016: £3,257.9m) represented 90.70% of total assets of the Company at 31 December 2017 (2016: 92.48%) (see notes 2 and 9). There is a risk that the prices quoted in respect of the listed investments held by the Company 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 Company.	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 as Custodian and Fund Accountant. 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 Company's investment portfolio to the confirmation received directly from the custodian and depositary.

Key audit matter title	Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Valuation of unlisted investments including subsidiaries, including consideration of management override of controls through the manipulation of key assumptions and estimates.	As an investment entity, the Company presents its interests in subsidiaries and other entities at fair value, in accordance with IFRS 10. Unlisted investments of £134.6m (2016: £217.3m) 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 34 and notes 2, 9 and 22.9) There are key inputs to the valuation calculations which reflect the Directors', external valuers' and Investment Manager's judgement (see note 22.9). 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. The risk of management override of controls due to fraud is a pervasive risk of material misstatement in financial statements. Specifically in regard to the valuation of unlisted investments, there is a risk that there is bias in the estimates determined by management.	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. **Subsidiaries** We reviewed and challenged management's and external valuations for a sample of unlisted investments including Alliance Trust Savings limited, 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 in relation to the testing of Alliance Trust Savings Limited. **Other 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 Investment Manager were reasonable and confirmed that the unlisted investments had been valued on a consistent basis. **Management override** As part of our overall response to the pervasive risk of management override, in addition to the procedures described above, we reviewed management's key judgements, assumptions and valuation methodologies for bias.	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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£26.9m (2016: £32.8m).
Basis for determining materiality	We determined materiality as 1% (2016: 1%) of net assets.
Rationale for the benchmark applied	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 £539,900 (2016: £657,000), 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

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. As part of our audit we assessed the controls in place at Willis Towers Watson ("the Investment Manager") who prepares the financial statements of the Company and also the key controls in place at Bank of New York Mellon (Fund Accounting) who maintain the underlying accounting records for investment transactions and related balances.

The following changes were made during the year which altered the scope of the audit:

- as noted on page 3 change in manager from Alliance Trust Investment Limited to at Willis Towers Watson, resulting in a change in internal controls tested; and
- as described in note 2 the Company no longer prepares group accounts and as such our audit was scoped for the Company only.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST PLC CONTINUED

USE OF OUR REPORT

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or 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 in respect of these matters.**

OTHER MATTERS

Auditor tenure

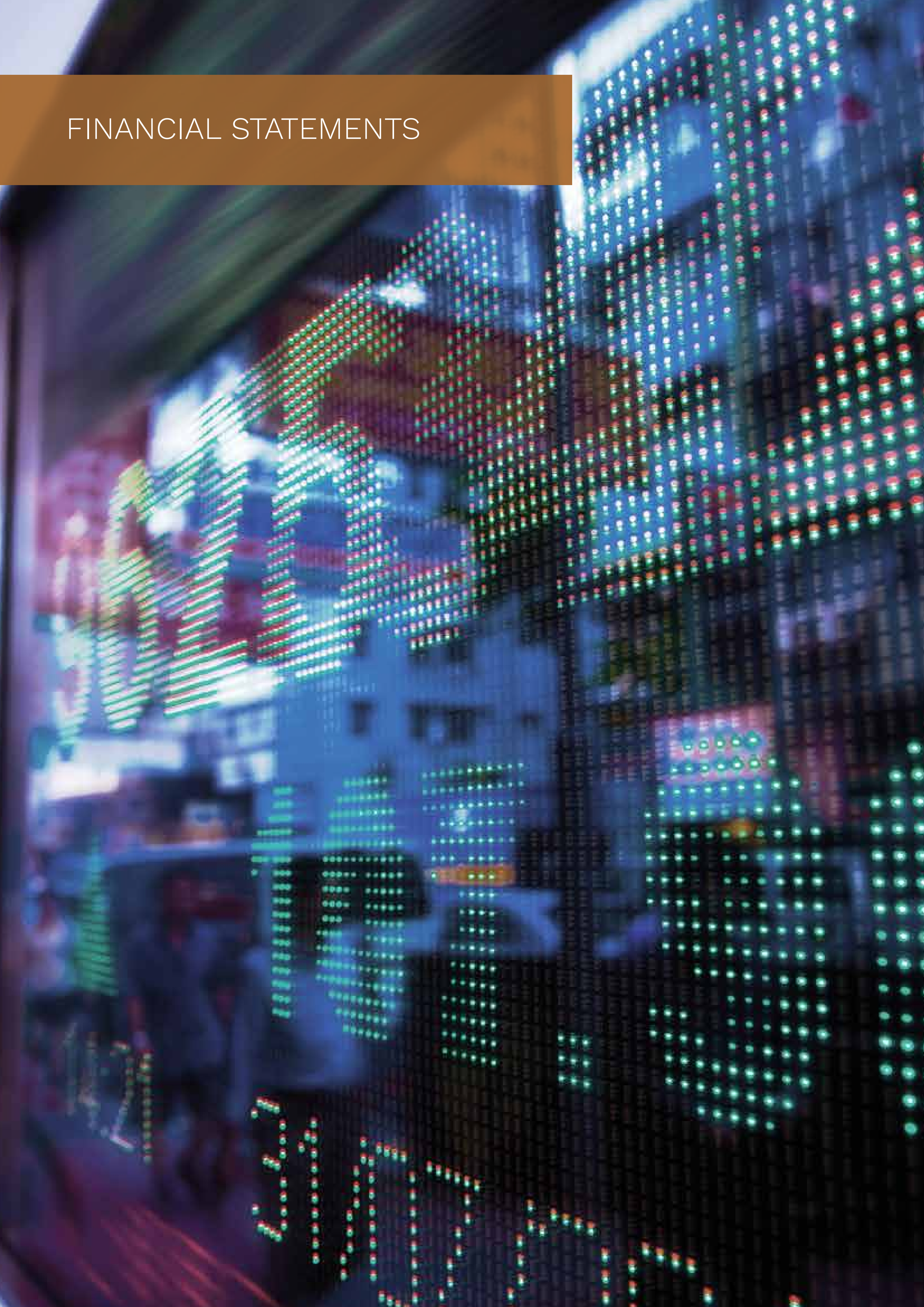
Following the recommendation of the Audit Committee (now Audit and Risk Committee), we were appointed by the Board of Directors on 20 May 2011 to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2011 to 31 December 2017.

Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

Andrew Partridge (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
7 March 2018

FINANCIAL STATEMENTS



Financial Statements

Income statement for the year ended 31 December 2017

£000	Note	Year to December 2017 Revenue	Year to December 2017 Capital	Year to December 2017 Total	Year to December 2016 Revenue	Year to December 2016 Capital	Year to December 2016 Total
Income	3	**60,525**	**-**	**60,525**	84,783	-	84,783
Profit on fair value designated investments	9	**-**	**432,187**	**432,187**	-	591,755	591,755
Loss on fair value of debt		**-**	**(2,160)**	**(2,160)**	-	(9,800)	(9,800)
Total revenue		**60,525**	**430,027**	**490,552**	84,783	581,955	666,738
Investment management fees	4	**(3,307)**	**(6,786)**	**(10,093)**	(3,114)	(6,227)	(9,341)
Administrative expenses	4	**(5,496)**	**(1,843)**	**(7,339)**	(4,846)	(2,583)	(7,429)
Finance costs	5	**(2,094)**	**(4,096)**	**(6,190)**	(2,586)	(5,107)	(7,693)
Gain/(Loss) on other assets held at fair value		**-**	**1,450**	**1,450**	-	(40)	(40)
Foreign exchange gains/(losses)		**-**	**4,556**	**4,556**	-	(2,527)	(2,527)
Profit before tax		**49,628**	**423,308**	**472,936**	74,237	565,471	639,708
Tax	6	**(1,170)**	**41**	**(1,129)**	(8,367)	(2,248)	(10,615)
Profit for the year		**48,458**	**423,349**	**471,807**	65,870	563,223	629,093

All profit for the year is attributable to equity holders.

	Note	Year to December 2017 Revenue	Year to December 2017 Capital	Year to December 2017 Total	Year to December 2016 Revenue	Year to December 2016 Capital	Year to December 2016 Total
Earnings per share attributable to equity holders							
Basic (p per share)	8	**12.86**	**112.35**	**125.21**	12.77	109.23	122.00
Diluted (p per share)		**12.84**	**112.14**	**124.98**	12.76	109.06	121.82

Statement of comprehensive income

£000	Year to December 2017 Revenue	Year to December 2017 Capital	Year to December 2017 Total	Year to December 2016 Revenue	Year to December 2016 Capital	Year to December 2016 Total
Profit for the year	**48,458**	**423,349**	**471,807**	65,870	563,223	629,093
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial gain/(loss)(note 24)	**-**	**313**	**313**	-	(26,637)	(26,637)
Retirement benefit obligations deferred tax	**-**	**(53)**	**(53)**	-	4,478	4,478
Other comprehensive income/(loss)	**-**	**260**	**260**	-	(22,159)	(22,159)
Total comprehensive income for the year	**48,458**	**423,609**	**472,067**	65,870	541,064	606,934

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

Statement of changes in equity for the year ended 31 December 2017

£000	Dec 17	Dec 16
Called-up share capital		
At 1 January	**12,319**	13,160
Own shares purchased and cancelled in the year	**(3,628)**	(841)
At 31 December	**8,691**	12,319
Capital reserve		
At 1 January	**2,508,359**	2,163,026
Profit for the year	**423,349**	563,223
Defined benefit plan actuarial net gain/(loss)	**260**	(22,159)
Own shares purchased and cancelled in the year	**(1,008,529)**	(195,841)
Share-based payments	**-**	110
At 31 December	**1,923,439**	2,508,359
Merger reserve		
At 1 January and at 31 December	**645,335**	645,335
Capital redemption reserve		
At 1 January	**6,679**	5,838
Own shares purchased and cancelled in the year	**3,628**	841
At 31 December	**10,307**	6,679
Revenue reserve		
At 1 January	**111,450**	111,921
Profit for the year	**48,458**	65,870
Dividends paid	**(48,113)**	(66,329)
Unclaimed dividends returned/(redistributed)	**66**	(12)
At 31 December	**111,861**	111,450
Total Equity at 1 January	**3,284,142**	2,939,280
Total Equity at 31 December	**2,699,633**	3,284,142

Balance sheet as at 31 December 2017

£000	Note	Dec 17	Dec 16
Non-current assets			
Investments held at fair value	9	**2,836,875**	3,474,197
Property, plant and equipment	9	**4,935**	4,524
Pension scheme surplus	24	**38**	83
Deferred tax asset	11	**6**	72
		2,841,854	3,478,876
Current assets			
Outstanding settlements and other receivables	12	**31,607**	12,818
Cash and cash equivalents	20	**105,808**	49,430
		137,415	62,248
Total assets		**2,979,269**	3,541,124
Current liabilities			
Outstanding settlements and other payables	13	**(21,679)**	(14,051)
Tax payable	11	**(3,991)**	(3,991)
Bank loans	14	**(133,000)**	(120,000)
		(158,670)	(138,042)
Total assets less current liabilities		**2,820,599**	3,403,082
Non-current liabilities			
Unsecured fixed rate loan notes held at fair value	14	**(120,960)**	(118,800)
Deferred tax liability	11	**(6)**	(72)
Amounts payable under long-term Investment Incentive Plan		**-**	(68)
		(120,966)	(118,940)
Net assets		**2,699,633**	3,284,142
Equity			
Share capital	15	**8,691**	12,319
Capital reserve	16	**1,923,439**	2,508,359
Merger reserve	16	**645,335**	645,335
Capital redemption reserve	16	**10,307**	6,679
Revenue reserve	16	**111,861**	111,450
Total Equity		**2,699,633**	3,284,142

All net assets are attributable to equity holders.

Net Asset Value per ordinary share attributable to equity holders			
Basic (£)	17	**£7.78**	£6.67
Diluted (£)	17	**£7.77**	£6.67

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2018.

They were signed on its behalf by:

Lord Smith of Kelvin
Chairman

Cash flow statement for the year ended 31 December 2017

£000	Dec 17	Dec 16
Cash flows from operating activities		
Profit before tax	**472,936**	639,708
Adjustments for:		
Gains on investments	**(432,187)**	(591,755)
Losses on fair value of debt	**2,160**	9,800
Foreign exchange (gains)/losses	**(4,556)**	2,527
Depreciation	**4**	57
Disposals and transfers of fixed assets	**-**	(174)
(Gain)/loss on other assets held at fair value	**(1,450)**	40
Share-based payment expense	**-**	110
Finance costs	**6,190**	7,693
Movement in pension scheme loss/(surplus)	**305**	(15,360)
Operating cash flows before movements in working capital	**43,402**	52,646
Decrease/(increase) in receivables	**3,273**	(392)
(Decrease)/Increase in payables	**(6,318)**	5,962
Net cash flow from operating activities before income taxes	**40,357**	58,216
Taxes paid	**(1,433)**	(12,129)
Net cash inflow from operating activities	**38,924**	46,087
Cash flows from investing activities		
Proceeds on disposal at fair value of investments through profit and loss	**4,384,770**	1,481,435
Purchases of fair value through profit and loss investments	**(3,322,009)**	(1,054,086)
Purchase of plant and equipment	**-**	(6)
Proceeds on transfer of other intangible assets to Group companies	**-**	917
Disposal of tangible assets	**21**	-
Proceeds on transfer of property, plant and equipment to Group companies	**-**	395
Net cash inflow from investing activities	**1,062,782**	428,655
Cash flows from financing activities		
Dividends paid - Equity	**(48,113)**	(66,329)
Unclaimed dividends returned/(redistributed)	**66**	(12)
Purchase of own shares	**(1,008,529)**	(195,841)
Bank loans and unsecured fixed rate loan notes raised	**13,000**	-
Repayment of borrowing	**-**	(170,000)
Finance costs paid	**(6,308)**	(7,570)
Net cash outflow from financing activities	**(1,049,884)**	(439,752)
Net cash increase in cash and cash equivalents	**51,822**	34,990
Cash and cash equivalents at beginning of year	**49,430**	16,967
Effect of foreign exchange rate changes	**4,556**	(2,527)
Cash and cash equivalents at end of year	**105,808**	49,430

Notes

1 General Information

Alliance Trust PLC was incorporated in the United Kingdom under the Companies Acts 1862-1886. The address of the registered office is given on page 90. The nature of the Company's operations and its principal activity is a global investment trust. The following notes refer to the year ended 31 December 2017 and the comparatives which are in brackets for the year ended 31 December 2016.

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

Critical accounting judgements and key sources of estimation uncertainty

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. There are no critical judgements. The key sources of estimation uncertainty, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Valuation of Alliance Trust Savings Limited (ATS)

This represents the Directors' view of the amount for which ATS could be exchanged between knowledgeable willing parties in an arm's length transaction. The Directors' took advice from an external valuer in arriving at the fair value of ATS. The external valuation was derived from a discounted cash flow approach using ATS business plans, multiples derived from comparable companies and recent transactions. This valuation is sensitive to changes in the following unobservable inputs: cost of equity, long-term growth rate and long-term PBT margin. Further information on the sensitivity of this valuation to changes in the unobservable inputs is provided in note 22.9.

2 Summary of Significant Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union ('Adopted IFRS's').

The financial statements have been prepared on the historical cost basis, except that investments 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 and updated in January 2017, 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 Company's last annual audited financial statements, other than those stated below.

The Annual Report for the year ended 31 December 2016 presented both Company-only financial statements as well as consolidated Group financial statements consisting of the Company and its wholly owned subsidiary Alliance Trust Services Limited (ATSL). This was because the activities of ATSL were previously material to the Company, which is no longer the case given a cessation of the services provided due to the new investment approach. The Board has therefore decided that, on the basis of materiality, it is no longer appropriate to prepare consolidated financial statements, and to now present the results of the Company on a Company-only basis. This report presents prior-period Company-only results to ensure consistency. The Company continues to recognise its subsidiaries as investments at fair value through the income statement.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has 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. The Company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 1 to 26. The financial position of the Company as at 31 December 2017 is shown on the balance sheet on page 61.

Basis of consolidation

The Company qualifies as an investment entity under IFRS 10 meeting all the key characteristics:

- It obtains funds from investors and provides those investors with investment management services;
- It commits to its investors that its business purpose is to invest solely for returns from capital appreciation and investment income; and
- It measures and evaluates performance of substantially all its investments on a fair value basis.

As such the Company does not consolidate its subsidiaries.

The following subsidiaries held by the Company are valued at fair value through the income statement as they do not provide services that relate directly to the investment activities of the Company nor are they themselves regarded as an investment entity:

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

2 Summary of Significant Accounting Policies

Name	Shares held	Country of incorporation	Principal Activity
Alliance Trust Real Estate Partners LP (ATREP LP)	-	Scotland*	Limited partnership
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 Services Limited (ATSL)	Ordinary	Scotland*	Service company

* Registered at 8 West Marketgait, Dundee, DD1 1QN

** Registered at 60 Gresham Street, London, EC2V 7BB

Alliance Trust Investments Limited (ATI) was sold to Liontrust Asset Management PLC in 2017. Subsequent to the sale of ATI, Alliance Trust Investments (England) Limited was struck off the Companies House register. This company had not traded.

Adopted IFRSs

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014-2016 Cycle	
Amendments to IAS 7	Disclosure Initiative

IFRSs not yet applied

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU as at 31 December 2017:

IFRS 3	Disclosure Initiative
IFRS 2	Share-based payments (amendments)
IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

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. The net revenue profit for the year is the measure the Directors use in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

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 Company 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 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.

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

Foreign currencies

Transactions in currencies other than pounds 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.

2 Summary of Significant Accounting Policies

Expenses

All expenses and interest payable are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, where there is a connection with the maintenance or enhancement of the value of the investments and where consistent with the AIC SORP the Company is attributing indirect expenditure including management fees and finance costs one third to revenue and two thirds to capital profits, specific exceptions are:

- 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.

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

As disclosed on page 21 effective from 1 January 2018 the Directors have decided to adopt a one quarter revenue and three quarters capital allocation for management fees, financing costs and other indirect expenses where consistent with the AIC SORP guidelines.

Operating leases

Charges for operating leases are debited to the income statement on an accruals basis. Note 25 "Operating lease commitments" discloses the commitments to pay charges for leases expiring within one year, between two to five years and over five years.

Share-based payment

Historically the Company has operated 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.

Pension costs

Employer contributions to pension arrangements for staff have been charged one third to revenue and two thirds to capital.

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. The Company part funded a buy-in of the pension scheme liabilities in 2016 and accordingly, aside from contributions to supporting the Scheme through to buy-out, no further contribution to fund pension liabilities should be required.

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.

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 Company's liability for current tax is calculated using tax rates applicable as at 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be 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 Company intends to settle its current tax assets and liabilities on a net basis.

The Company does not 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 Company's balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. The Company will only offset financial assets and financial liabilities if it has a legally

2 Summary of Significant Accounting Policies

enforceable right of set off and intends to settle on a net basis.

Derivative financial instruments

The Company'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 Company 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 is calculated by reference to current forward exchange rates for contracts of similar maturity dates. Changes in fair value of derivative 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 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 12 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 their fair value.

Cash and cash equivalents

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

Other receivables

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

Office premises

Office premises are valued 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.

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.

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 Company after deducting all of its liabilities.

Bank borrowings and unsecured fixed rate loan notes

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 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 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.

2 Summary of Significant Accounting Policies

Buybacks 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 reserves

A description of each of the reserves follows:

Capital reserve

The following are accounted through this reserve:

- Gains and losses on realisation of investments
- Changes in fair value of assets held at fair value
- 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
- Buyback 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

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 reflect the nominal value of the buyback and cancellation of a portion of the share capital of the Company.

Revenue reserve

Net revenue profits and losses of the Company 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 Company's revenue is as follows:

£000	Dec 17	Dec 16
Income from investments		
Listed dividends - UK	**10,948**	18,866
Distributions from Collective Investment Schemes	**1,500**	1,913
Listed dividends - Overseas	**44,536**	62,124
	56,984	82,903
Other income		
Property rental income	**570**	-
Mineral rights income	**2,803**	1,685
Deposit interest	**20**	4
Recharged costs	**148**	191
	3,541	1,880
Total income	**60,525**	84,783

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

Investment manager fee

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Investment management fees	**3,307**	**6,786**	**10,093**	3,114	6,227	9,341

For the first three months of 2017 ATI was the appointed Alternative Investment Fund Manager (AIFM) and investment manager to the Company. The basis of the ATI investment management fee was 0.35% of NAV after deducting the fair value of subsidiary companies.

From 1 April 2017 the Company appointed Towers Watson Investment Management (Ireland) Limited (TWIMI) as the AIFM. The AIFM delegated the management of the Company's investment portfolio to Towers Watson Investment Management Limited (TWIM). TWIM appointed a range of specialist third-party managers to oversee the equity portfolio. TWIMI is entitled to a fixed fee and a base variable fee based on the market capitalisation of the Company after deduction of the value of non-core assets and the value of Company subsidiaries. TWIMI is also entitled to an administration fee for the provision of certain administrative services outsourced by the Company. Each of the third-party managers is entitled to a base management fee rate, generally based on the value of assets under management. No performance fees are payable.

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Staff costs	**287**	**622**	**909**	509	990	1,499
Social security costs	**69**	**137**	**206**	104	209	313
Pension costs/(credit) - defined benefit scheme (note 24)	**119**	**239**	**358**	(146)	(292)	(438)
Pension costs - defined contribution scheme	**9**	**18**	**27**	1	2	3
	484	**1,016**	**1,500**	468	909	1,377

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Auditor's remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	**61**	**-**	**61**	64	-	64
Total audit fees	**61**	**-**	**61**	64	-	64
All other services	**31**	**-**	**31**	5	-	5
Total non-audit fees	**31**	**-**	**31**	5	-	5

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

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Fees payable to the Company's auditor in respect of associated pension schemes audit	**5**	**-**	**5**	5	-	5
	5	**-**	**5**	5	-	5
Total remuneration	**97**	**-**	**97**	74	-	74
Other administrative expenses	**4,915**	**827**	**5,742**	4,304	1,674	5,978
Total administrative expenses	**5,496**	**1,843**	**7,339**	4,846	2,583	7,429

In addition to the audit fees paid by the Company disclosed above, fees payable to the Company's auditors for the audit of the non-consolidated subsidiaries amounted to £120,000 (£190,000), with audit-related services for these entities amounting to £71,000 (£100,000). Total audit fees of £181,150 (£267,000), non-audit fees of £101,850 (£105,000) and fees payable in respect of associated pension schemes of £5,000 (£5,000) were paid to Deloitte LLP. Total remuneration paid to Deloitte LLP amounted to £288,000 (£377,000).

Total Directors' remuneration recorded for the year was £0.5m (£1.2m). This includes the current year allocation in respect of contractual awards made to former Executive Directors in prior years. No new awards were granted in 2016 or 2017. Further details are given in the Remuneration Report on pages 42 to 48. In the period since 1 April 2017 the Trust has employed five employees, two on a part time basis. The average full-time equivalents in the year was three.

Total Company administration expenses of £17.4m (£16.8m) consist of investment management fees of £10.1m (£9.4m) and other administrative expenses of £7.3m (£7.4m). These further include non-recurring expenses of £1.3m (£3.4m) as disclosed on page 20. The ongoing charges ratio (OCR) of the Company amounted to 0.54% (0.43%) of the average net assets. The 2017 OCR of 0.54% is based on total ongoing expenses consistent with prior year.

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

5 Finance costs

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Bank loans and unsecured fixed rate loan notes	**2,094**	**4,096**	**6,190**	2,586	5,107	7,693

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.

6 Taxation

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
UK corporation tax at 19.25% (20.00%)	**-**	**-**	**-**	-	-	-
Prior year adjustment	**(3,347)**	**-**	**(3,347)**	(1)	-	(1)
Overseas taxation	**4,593**	**-**	**4,593**	6,219	-	6,219
Recoverable income tax	**(64)**	**-**	**(64)**	(81)	-	(81)
	1,182	**-**	**1,182**	6,137	-	6,137
Deferred taxation originations and reversal of temporary differences	**(12)**	**(41)**	**(53)**	2,280	2,248	4,528
Rate change impact on deferred tax balances	**-**	**-**	**-**	(50)	-	(50)
Tax expense for the year	**1,170**	**(41)**	**1,129**	8,367	2,248	10,615

The prior year adjustment noted above relates to refunds on US taxes.

The standard rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the profit/ (loss) of the Company for the year ended 31 December 2017 is taxed at an average rate of 19.25% (20.00%). Taxation for overseas jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The tax charge assessed for the years ended 2016 and 2017 is lower than that resulting from applying the effective standard rate of corporation tax in the UK and can be reconciled to the profit per the income statement as follows:

6 Taxation

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Profit before tax	**49,628**	**423,308**	**472,936**	74,237	565,471	639,708
Tax at the average UK corporation tax rate of 19.25 % (20.00%)	**9,553**	**81,487**	**91,040**	14,847	113,094	127,941
Non-taxable income	**(10,119)**	**-**	**(10,119)**	(14,423)	-	(14,423)
Losses on investments not taxable	**-**	**(83,196)**	**(83,196)**	-	(118,351)	(118,351)
Prior year adjustment	**(3,347)**	**-**	**(3,347)**	(1)	-	(1)
Foreign exchange adjustments	**-**	**(877)**	**(877)**	-	505	505
Effect of changes in tax rates	**2**	**5**	**7**	(452)	(397)	(849)
Effect of overseas tax	**4,594**	**-**	**4,594**	6,219	-	6,219
Deferred tax assets not recognised	**824**	**3,482**	**4,306**	(193)	5,552	5,359
Fair value movement in office premises	**-**	**(279)**	**(279)**	-	8	8
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**(219)**	**(759)**	**(978)**	2,149	1,595	3,744
Expenses not deductible for tax purposes	**(1)**	**96**	**95**	390	242	632
Expense relief for overseas tax	**(53)**	**-**	**(53)**	(88)	-	(88)
Recoverable income tax	**(64)**	**-**	**(64)**	(81)	-	(81)
Tax expense for the year	**1,170**	**(41)**	**1,129**	8,367	2,248	10,615

7 Dividends

Dividends Paid £000	Dec 17	Dec 16
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 2.8250p per share	**-**	14,528
Second interim dividend for the year ended 31 December 2016 of 2.8250p per share	**-**	14,528
Third interim dividend for the year ended 31 December 2016 of 3.8500p per share	**-**	19,800
Fourth interim dividend for the year ended 31 December 2016 of 3.2740p per share	**13,505***	-
First interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,671**	-
Second interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,507**	-
Third interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,430**	-
	48,113	66,329

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.

Dividends Earned £000	Dec 17	Dec 16
First interim dividend for the year ended 31 December 2016 of 2.8250p per share	**-**	14,528
Second interim dividend for the year ended 31 December 2016 of 2.8250p per share	**-**	14,528
Third interim dividend for the year ended 31 December 2016 of 3.8500p per share	**-**	19,800
Fourth interim dividend for the year ended 31 December 2016 of 3.2740p per share	**-**	16,108*
First interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,671**	-
Second interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,507**	-
Third interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,430**	-
Fourth interim dividend for the year ended 31 December 2017 of 3.2900p per share	**11,421**	-
	46,029	64,964

* 31 December 2016 figures have been adjusted to reflect share buybacks in the period between the year end date and the dividend record date.

8 Earnings per share

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

£000	Dec 17 Revenue	Dec 17 Capital	Dec 17 Total	Dec 16 Revenue	Dec 16 Capital	Dec 16 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders	**48,458**	**423,349**	**471,807**	65,870	563,223	629,093
Number of shares						
Weighted average number of ordinary shares for the purpose of basic earnings per share			**376,802,754**			515,646,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share			**377,500,816**			516,414,688

To arrive at the basic figure, the number of shares was reduced by 456,886 (698,062) ordinary shares held by the Trustee of the Employee Benefit Trust (EBT). During the period the Trustee increased its holding by Nil (Nil) shares. Nil (188,111) 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 be treated as dilutive only if they decrease earnings per share or increase the loss per share.

9 Non-current assets

£000	Dec 17	Dec 16
Investments designated at fair value through profit and loss:		
Investments listed on a recognised investment exchange	**2,573,079**	3,157,042
Other equities and funds	**129,200**	93,027
Forward currency exchange contracts held at fair value through profit and loss	**(2)**	6,853
Unlisted investments	**46,578**	47,444
Investments in related and subsidiary companies	**88,020**	169,831
	2,836,875	3,474,197

As disclosed on page 14 investments listed on a recognised investment exchange relate to equity holdings considered to be core investments. Other equities and funds relate to holdings in Liontrust managed funds and Liontrust Asset Mananagement PLC shares, disclosed as part of non-core investments. Investments in related and Subsidiary companies include Alliance Trust Savings, other subsidiary companies and the ATEP fund of fund private equity investments. Unlisted investments relate to directly held private equity investments and the mineral rights.

Within other equities and funds, the Company has invested in two UK-domiciled Open-Ended Investment Companies (OEIC). At the year ended 31 December 2017 holdings in Sustainable Future Cautious Managed Fund were valued at £13.2m (£11.9m) representing 35% (66%) of the fund, holdings in Sustainable Future Defensive Managed Fund were valued at £12.9m (£11.7m) representing 33% (58%) of the fund. In addition, the Company has invested in a Luxembourg-domiciled Société d'Investissement à Capital Variable (SICAV), Luxcellence - Sustainable Future Pan-European Equity Fund valued at £83.2m (£69.5m) representing 37% (44%) of the fund.

£000	Listed equity investments	Other equity and funds	Related and subsidiary companies	Unlisted investments	Total
Opening book cost at 1 January 2016	2,475,168	75,992	204,250	45,965	2,801,375
Opening unrealised appreciation/(depreciation)	529,031	8,690	(31,238)	1,813	508,296
Opening valuation as at 1 January 2016	3,004,199	84,682	173,012	47,778	3,309,671
Movements in the year					
Purchases at cost**	1,034,718	859	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	308,087	7,486	2,894	(1,343)	317,124
Closing valuation as at 31 December 2016	3,163,895	93,027	169,831	47,444	3,474,197
Closing book cost	2,326,777	76,851	198,175	46,974	2,648,777
Closing appreciation/(depreciation) on assets held	837,118	16,176	(28,344)	470	825,420

9 Non-current assets

£000	Listed equity investments	Other equity and funds	Related and subsidiary companies	Unlisted investments	Total
Closing valuation as at 31 December 2016	3,163,895	93,027	169,831	47,444	3,474,197

£000	Listed equity investments	Other equity and funds	Related and subsidiary companies	Unlisted Investments	Total
Opening book cost at 1 January 2017	2,326,777	76,851	198,175	46,974	2,648,777
Opening unrealised appreciation/(depreciation)	837,118	16,176	(28,344)	470	825,420
Opening valuation at 1 January 2017	3,163,895	93,027	169,831	47,444	3,474,197
Movements in the year					
Purchases at cost**	3,315,283	16,809	468	3,445	3,336,005
Sales - proceeds**	(4,336,755)	-	(64,066)	(4,693)	(4,405,514)
- realised gains/(losses) on sales	1,065,841	-	(8)	(1,155)	1,064,678
(Decrease)/Increase in appreciation on assets held	(635,187)	19,364	(18,205)	1,537	(632,491)
Closing valuation at 31 December 2017	2,573,077	129,200	88,020	46,578	2,836,875
Closing book cost	2,371,146	93,660	134,569	44,571	2,643,946
Closing appreciation/(depreciation) on assets held	201,931	35,540	(46,549)	2,007	192,929
Closing valuation as at 31 December 2017	2,573,077	129,200	88,020	46,578	2,836,875

**Expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from the sale proceeds. These expenses amounted to £4.4m (£1.6m) for purchases and £2.3m (£1.5m) for sales.

£000	Office premises freehold / Heritable property
Valuation at 31 December 2015	4,540
Revaluation	(40)
Valuation at 31 December 2016	**4,500**
Revaluation	**435**
Valuation at 31 December 2017	**4,935**

At 31 December 2017 Cushman & Wakefield, an independent Chartered Surveyor, valued the office premises at 8 West Marketgait, Dundee at £4.94m (£4.50m) 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 2017 was £12.7m (£12.7m).

10 Subsidiaries and Related Companies

At 31 December 2017 the Company owned 100% of ATS, AT2006, ATREP, ATSL 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.

£000	Dec 17	Dec 16
Alliance Trust Savings	**38,000**	61,500
Alliance Trust Investments	**-**	28,276
Other subsidiaries	**50,020**	80,055
	88,020	169,831

Investments in subsidiary companies are valued 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 applicable external valuations. The key financial results for ATS are noted below.

10 Subsidiaries and Related Companies

Alliance Trust Savings Limited £000	Year ended 31 December 2017	Year ended 31 December 2016
Income	**27,049**	21,627
Administrative expenses	**(33,125)**	(20,453)
Operating (loss)/profit before exceptional items	**(6,076)**	1,174
Exceptional administrative expense	**(13,240)**	-
Operating (loss)/profit before tax	**(19,316)**	1,174
Fair valuation	**38,000**	61,500

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 22.9 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 2016 and 2017.

The fair value of ATI as at 31 December 2016 was based on the value of the sale transaction to Liontrust Asset Management PLC. This valuation was based on the fair value of Liontrust shares used as consideration and the net asset value of ATI excluding any deferred contingent amounts. This transaction was completed on 1 April 2017.

11 Deferred tax

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

£000	Retirement benefit obligations	Losses	Other	Total
At 1 January 2016 - (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)**	**-**
Income statement - deferred tax credit/(charge)	61	(66)	58	53
Income statement - deferred tax charge	-	-	-	-
Equity - deferred tax charge	(53)	-	-	(53)
Equity - deferred tax charge	-	-	-	-
At 31 December 2017 - (liability)/asset	**(6)**	**6**	**-**	**-**

At the balance sheet date, the Company had unused tax losses of £97.9m (£79.8m) available for offset against future profits.

There are unrecognised deferred tax assets of £16.6m (£13.6m) in relation to unused tax losses and £2.9m (£3.7m) in relation to fixed assets and other timing differences. There is no expiry date in connection with the unrecognised deferred tax assets and no temporary differences in relation to subsidiaries held by the Trust. The Directors have not recognised this deferred tax asset due to uncertainty over the timing of future profits.

Tax payable of £3.99m (£3.99m) relates to the taxation of overseas dividends received before July 2009. The amount of the final liability taxable to be paid is dependent on the outcome of an ongoing class action in which the Company is participating.

12 Outstanding settlements and other receivables

£000	Dec 17	Dec 16
Sales of investments awaiting settlement	**21,758**	-
Dividends receivable	**3,473**	6,021
Amounts due from subsidiary companies	**184**	438
Other debtors	**2,891**	3,362
Recoverable overseas tax	**3,301**	2,997
	31,607	12,818

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

13 Outstanding settlements and other payables

£000	Dec 17	Dec 16
Purchases of investments awaiting settlement	**14,903**	907
Amounts due to subsidiary companies	**37**	3,035
Other creditors	**4,871**	8,123
Interest payable	**1,868**	1,986
	21,679	14,051

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

14 Bank loans and unsecured fixed rate loan notes

Bank loans

£000	Dec 17	Dec 16
Bank loans repayable within one year	**133,000**	120,000
Analysis of borrowings by currency:		
Bank loans - sterling	**133,000**	120,000
The weighted average % interest rates payable:		
Bank loans	**1.20%**	0.96%
The Directors estimate the fair value of the borrowings to be:		
Bank loans	**133,000**	120,000

Unsecured fixed rate loan notes

£000	Dec 17	Dec 16
Unsecured fixed rate loan notes	**120,960**	118,800

£100m of unsecured fixed rate 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.

	Dec 17	Dec 16
The total weighted average % interest rate	**2.53%**	2.47%

15 Share capital

£000	Dec 17	Dec 16
Allotted, called up and fully paid:		
- 347,592,156 ordinary shares of 2.5p each	**8,691**	12,319

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

The Employee Benefit Trust holds 456,886 (698,062) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee increased its holding by Nil (Nil) shares. Nil (188,111) shares were transferred from the Employee Benefit Trust to participants in the Long Term Incentive Plans in satisfaction of awards.

During the year the Company bought back 145,111,776 ordinary shares at a total cost of £1,008,529,184, all of which were cancelled. The full cost of all shares bought back is dealt with in Capital Reserves own shares purchased.

£000	Dec 17	Dec 16
Ordinary shares of 2.5p each		
Opening share capital	**12,319**	13,160
Share buybacks	**(3,628)**	(841)
Closing share capital	**8,691**	12,319

15 Share capital

Capital management policies and procedures

The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 4. From 1 April 2017 this function has been undertaken by TWIMI in its capacity as AIFM within parameters set by the Board. At the prudential regulatory consolidated position the Company and the remaining regulated financial services subsidiary investments comply with the capital requirements of their relevant regulators, including the EU Capital Requirements Regulations (CRR) and the Alternative Investment Fund Managers Directive (AIFMD).

16 Reserves

£000	Share capital	Capital reserve	Merger reserve	Capital redemption reserve	Revenue reserve	Total
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 returned	-	-	-	-	(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
Dividends	**-**	**-**	**-**	**-**	**(48,113)**	**(48,113)**
Unclaimed dividends redistributed	**-**	**-**	**-**	**-**	**66**	**66**
Profit for the year	**-**	**423,349**	**-**	**-**	**48,458**	**471,807**
Own shares purchased	**(3,628)**	**(1,008,529)**	**-**	**3,628**	**-**	**(1,008,529)**
Defined benefit plan net actuarial gain	**-**	**260**	**-**	**-**	**-**	**260**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**
Net assets at 31 December 2017	**8,691**	**1,923,439**	**645,335**	**10,307**	**111,861**	**2,699,633**

The Company revenue reserves distributable by way of a dividend are £111.9m (£111.5m). Realised capital reserves of £1,752m (£1,702m) can be distributed by way of a dividend. Unrealised capital reserves of £171m (£806m) relate to unrealised appreciation on investments. Total distributable reserves are £1,923m (£2,508m). Share buybacks are funded through realised capital reserves.

17 Net Asset Value per Ordinary Share

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

£000	Dec 17	Dec 16
Equity shareholder funds	**2,699,633**	3,284,142
Number of shares at year end - basic	**347,135,270**	492,005,870
Number of shares at year end - diluted	**347,592,156**	492,703,932

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 456,886 (698,062) shares held by the Trustee of the Employee Benefit Trust. During the year the Trustee increased its holding by Nil (Nil) shares. Nil (188,111) shares were transferred from the Employee Benefit Trust to participants in the LTIP in satisfaction of awards.

18 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 59.

19 Related Party transactions

Subsidiaries held 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 terms and conditions attached to these transactions.

During the year the Company repurchased 95,478,576 shares from Elliott International L.P., The Liverpool Limited Partnership and Elliott Associates L.P., at a discount of 4.75% to NAV at a total cost of £633m. These entities were classified as a related party due to the size of their shareholding in the Company.

Expenses of £810,650 were recharged from ATI to Alliance Trust PLC; there were no balances remaining at the year end.

19 Related Party transactions

Expenses of £121,074 were recharged from Alliance Trust PLC to Alliance Trust Savings and £117,794 from Alliance Trust Savings to Alliance Trust PLC; there were balances of £184,120 due from Alliance Trust Savings at year end.

It is anticipated that the value of inter-company related party activity will reduce in 2018 with Alliance Trust Services ceasing to provide services for other Group companies.

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

Alliance Trust Services £000	Year ended 31 December 2017	Year ended 31 December 2016
Paid by Alliance Trust PLC (the Company)	**4,990**	7,198
Paid to Alliance Trust PLC (the Company)	**(153)**	(7,217)
Due from/(to)ATSL	**(2)**	(95)
Paid by Alliance Trust Savings Limited	**8,773**	30,906
Paid to Alliance Trust Savings Limited	**(3,392)**	(2,750)
Due from/(to)ATSL	**-**	(58)
Paid by Alliance Trust Investments Limited	**3,419**	19,533
Paid to Alliance Trust Investments Limited	**(1,577)**	(8,721)
Due from/(to)ATSL	**-**	(8)
Paid by Alliance Trust Equity Partners Limited	**16**	45
Paid to Alliance Trust Equity Partners Limited	**-**	(3)
Due from/(to)ATSL	**(2)**	-
Paid by Alliance Trust Real Estate Partners LP	**8**	108
Paid to Alliance Trust Real Estate Partners LP	**-**	(10)
Due from/(to)ATSL	**-**	-

Transactions with key management personnel

Details of the Non-Executive Directors are disclosed on pages 28 and 29.

For the purpose of IAS 24 'Related Party Disclosures, key management personnel comprised the Non-Executive Directors of the Company.

The 2017 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 42 to 48.

£000	Dec 17	Dec 16
Total emoluments	**418**	467
Payments to former key management personnel	**95**	625
Equity compensation benefits	**-**	71
	513	1,163

20 Analysis of change in net cash/(debt)

£000	Dec 15	Cash flow	Other gains / (losses)	Dec 16	Cash flow	Other gains / (losses)	Dec 17
Cash and cash equivalents	16,967	34,990	(2,527)	49,430	51,822	4,556	**105,808**
Bank loans and unsecured fixed rate loan notes	(399,000)	170,000	(9,800)	(238,800)	(13,000)	(2,160)	**(253,960)**
Net (debt)/cash	(382,033)	204,990	(12,327)	(189,370)	38,822	2,396	**(148,152)**

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

21 Financial commitments

Financial commitments as at 31 December 2017, which have not been accrued, for the Company totalled £22.8m (£28.5m). 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:

21 Financial commitments

£000	Dec 17	Dec 16
< 1 year	**2,350**	1,722
1-5 years	**20,400**	18,208
5-10 years	**-**	8,555
	22,750	28,485

The Company has provided a letter of comfort in connection with banking facilities made available to one of its subsidiaries. The Company provided a letter of support to AT2006 Limited 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 this company 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. This floating charge was discharged in 2016.

22 Financial instruments and Risk

The Strategic Report details the Company's approach to investment risk management on pages 22 to 25 and the accounting policies on pages 64 to 67 explain the basis on which currencies and investments are valued for accounting purposes.

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

Capital risk management

The Company manages its capital to ensure that entities in 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 Company's overall strategy remains unchanged from the year ended 31 December 2016.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to equity holders of the Company comprising issued ordinary share capital, reserves and retained earnings as disclosed in Note 16 to the financial statements.

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

£000	Dec 17	Dec 16
Debt*	**(253,960)**	(238,800)
Cash and cash equivalents	**105,808**	49,430
Net (debt)	**(148,152)**	(189,370)
Net (debt) as % of net assets	**(5.5)%**	(5.8)%

*If debt had been valued at par, net debt as a percentage of net assets would be 4.7% (5.2%).

22.1 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 4. In pursuing these objectives the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for payment as dividends.

The principal financial instruments at risk comprise those in the Company's investment portfolio.

The 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 assumptions and sensitivities within each risk are considered appropriate and are based on the Directors' wider knowledge of the investment market.

The Company has a risk management framework in place which is described in detail on pages 22 to 25. The objectives, policies and processes for managing the risks, and the methods used to measure the risks, have not changed from the previous accounting period.

22 Financial instruments and Risk

22.2 Market Risk

Market risk embodies the potential for both losses and gains and includes currency risk (see note 22.3), interest rate risk (see note 22.4) and other price risk (see note 22.5). Market risk is managed on a regular basis by TWIMI in its role as AIFM. TWIMI manages the capital of the Company within parameters set by the Directors on investment and asset allocation strategies and risk.

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

Details of the investment portfolio at the balance sheet date are disclosed on pages 15 to 17.

22.3 Currency Risk

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

The Company's currency holdings and gains/losses thereon are reviewed regularly by the Directors, and the currency risk is managed on a regular basis by TWIMI within parameters set by the Directors on investment and asset allocation strategies and risk. The Company 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 Company had the following exposures:

Currency exposure

£000	Overseas investments Dec 17	Net monetary assets Dec 17	Total currency exposure Dec 17	Overseas investments Dec 16	Net monetary assets Dec 16	Total currency exposure Dec 16
US dollar	**1,527,085**	**-**	**1,527,085**	1,760,969	240	1,761,209
Euro	**450,442**	**-**	**450,442**	399,530	-	399,530
Yen	**72,116**	**-**	**72,116**	173,188	-	173,188
Other non-sterling	**395,933**	**-**	**395,933**	514,158	-	514,158
	2,445,576	**-**	**2,445,576**	2,847,845	240	2,848,085

Sensitivity analysis

If pounds sterling had strengthened by 10% (10%) 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 2016. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

£000	Dec 17	Dec 16
Income statement		
Revenue return	**(4,454)**	(6,212)
Capital return	**(244,558)**	(284,784)
Net assets	**(249,012)**	(290,996)

A 10% (10%) weakening of pounds 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.

22.4 Interest Rate Risk

The Company is exposed to interest rate risk in a number of ways. A movement in interest rates may affect 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 Directors. 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. Unsecured fixed rate loans being repayable at a fixed rate interest are excluded from the sensitivity analysis.

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

22 Financial instruments and Risk

22.4 Interest Rate Risk

£000	Dec 17	Dec 16
Exposure to floating interest rates		
Cash at bank	**105,808**	49,430
Bank loans repayable within 1 year	**(133,000)**	(120,000)
	(27,192)	(70,570)

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 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.

£000	Dec 17	Dec 16
Income statement		
Revenue return	**(155)**	68
Capital return	**223**	109
Net assets	**68**	177

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 would have decreased by the amounts shown below.

£000	Dec 17	Dec 16
Income statement		
Revenue return	**155**	(67)
Capital return	**(223)**	(109)
Net assets	**(68)**	(176)

22.5 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 Company'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 Directors review this objective and investment performance regularly. The risk is managed on a regular basis by TWIMI within parameters set by the Directors on investment and asset allocation strategies and risk. The Directors monitor the managers' compliance with their mandates and also whether each mandate and asset allocation is compatible with the Company's objective.

Concentration of exposure to other price risks

A listing of the Company's equity investment portfolio is shown on pages 15 to 17. 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 Company's exposure to market price risk on its quoted and unquoted equity investments:

22 Financial instruments and Risk

22.5 Other Price Risk

£000	Dec 17	Dec 16
Investments at fair value through Profit & Loss		
Investments listed on a recognised investment exchange	**2,573,079**	3,157,042
Forward currency exchange contracts held at fair value through profit and loss	**(2)**	6,853
Unlisted investments	**46,578**	47,444
Other equity and funds	**129,200**	93,027
Investments in related and subsidiary companies	**88,020**	169,831
	2,836,875	3,474,197

Sensitivity analysis

95.3% (93.7%) 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%.

£000	Dec 17	Dec 16
Income statement		
Capital return	**(270,228)**	(325,692)
Net assets	**(270,228)**	(325,692)

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.

22.6 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 Company.

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

The Company has adopted a policy of dealing only with creditworthy 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 Company's cash and cash equivalents exposed to credit risk were as follows:

£000	Dec 17	Dec 16
Credit rating		
Aa1	**104,399**	47,879
A3	**1,409**	1,551
	105,808	49,430
Average maturity	**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 Company's rights with respect to securities held by the custodian to be delayed or limited.

22.7 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.

22 Financial instruments and Risk

22.7 Liquidity Risk

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 17	Expires	2016	Expires
Committed multi-currency facility - RBS	**100,000**	**31/12/2018**	100,000	31/12/2018
Amount drawn	**100,000**	-	-	-
Committed multi-currency facility - RBS	**-**		50,000	31/12/2016
Amount drawn	**-**	-	-	-
Committed multi-currency facility - RBS	**-**		100,000	31/03/2017
Amount drawn	**-**	-	100,000	-
Committed multi-currency facility - Scotiabank	**100,000**	**27/03/2018**	100,000	27/03/2018
Amount drawn	**33,000**	**-**	20,000	-
Committed multi-currency facility - Scotiabank	**100,000**	**22/12/2020**	100,000	22/12/2017
Amount drawn	**-**	**-**	-	-
Unsecured fixed rate loan notes*	**100,000**	**31/07/2029**	100,000	31/07/2029
Amount drawn	**100,000**	-	100,000	-
Total facilities	**400,000**		550,000	
Total drawn	**233,000**	**-**	220,000	-

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 14.

22.8 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.

£000	Dec 17	Dec 16
Investments after gearing	**2,836,875**	3,474,197
Gearing*	**(253,960)**	(238,800)
Investments before gearing	**2,582,915**	3,235,397

* 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 would have further decreased by the amounts shown below. The analysis for last year assumed a net assets before gearing decrease of 10%.

£000	Dec 17	Dec 16
Income statement		
Capital return	**(25,396)**	(23,800)
Net assets	**(25,396)**	(23,800)

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.

22.9 Hierarchical Valuation of Financial Instruments

Accounting Standards recognise a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input.

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

22 Financial instruments and Risk

22.9 Hierarchical Valuation of Financial Instruments

Level 1 Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange.

Level 2 Quoted prices for similar assets or liabilities or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be forward exchange contracts and certain other derivative instruments.

Level 3 Valued by reference to valuation techniques using inputs that are not based on observable market data. The value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are direct or pooled private equity investments and mineral rights.

The following table analyses the fair value measurements for the 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 2017. All fair value measurements disclosed are recurring fair value measurements.

The Company valuation hierarchy fair value through profit and loss through the income statement:

	As at 31 December 2017				As at 31 December 2016			
£000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed investments	**2,676,179**	**26,100**	**-**	**2,702,279**	3,250,069	-	-	3,250,069
Foreign exchange contracts	**-**	**(2)**	**-**	**(2)**	-	6,853	-	6,853
Unlisted investments								
Private equity	**-**	**-**	**81,185**	**81,185**	-	-	113,007	113,007
Alliance Trust Savings	**-**	**-**	**38,000**	**38,000**	-	-	61,500	61,500
Alliance Trust Investments	**-**	**-**	**-**	**-**	-	-	28,276	28,276
Mineral rights	**-**	**-**	**15,297**	**15,297**	-	-	13,187	13,187
Other	**-**	**-**	**116**	**116**	-	-	1,305	1,305
	2,676,179	**26,098**	**134,598**	**2,836,875**	3,250,069	6,853	217,275	3,474,197

There have been no transfers 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 Company is the current bid price. These investments are included within Level 1 and comprise equities, bonds and exchange-traded derivatives.

This includes assets noted as part of the core equity portfolio and the listed investments of Luxcellence Liontrust Sustainable Future Pan-European Equity Fund and Liontrust Asset Management PLC shares, shown as part of the non-core portfolio on page 14.

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.

This includes the investments in Liontrust Sustainable Future Cautious Managed Fund and Liontrust Sustainable Future Defensive Managed Fund noted as part of the non-core portfolio on page 14, which are not listed on a recognised exchange.

Fair Value Assets in Level 3

This includes subsidiary companies, private equity investments and North American mineral rights held by the Trust noted on page 14.

From 1 April 2017 Level 3 assets, excluding the valuation of ATS, are reviewed at least annually by the Valuation Committee of Towers Watson Investment Management (TWIM) who are assigned responsibility for valuation by the Board of the Company. Prior to this date, valuation responsibility was assigned to the Valuation Committee of the Company. The valuation of ATS is reviewed at least annually by the Audit and Risk Committee. The TWIM Valuation Committee considers the appropriateness of the valuation models, inputs, using the various valuation methods in accordance with the Company's valuation policy, and will determine the appropriateness of any valuation of the underlying assets.

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

£000	**Dec 17**	**Dec 16**
Balance at 1 January	**217,275**	220,790
(Loss)/net gain from financial instruments at fair value through profit or loss	**(16,668)**	1,551
Purchases at cost	**3,913**	18,629
Sales proceeds	**(68,759)**	(37,308)

22 Financial instruments and Risk

22.9 Hierarchical Valuation of Financial Instruments

£000	Dec 17	Dec 16
Realised (loss)/gain on sale	**(1,163)**	13,613
Balance at 31 December	**134,598**	217,275

Investments in subsidiary companies (Level 3) are valued in the Company accounts at £88.0m (£169.8m).

The Directors' valuation of ATS is £38.0m (£61.5m). This represents the Directors' view of the amount for which ATS 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' took advice from an external valuer in arriving at the fair value of ATS; the decision to use an external valuer is to apply a degree of independence and external challenge into the valuation. The external valuation was derived from a discounted cash flow approach using ATS business plans, multiples derived from comparable companies and recent transactions. The Directors' challenged the range of values provided and after fully reviewing the methodology and assumptions determined the reported valuation.

The fair value of ATI as at 31 December 2016 was based on the value of the sale transaction to Liontrust Asset Management PLC. This valuation was based on the fair value of Liontrust shares used as consideration and the net asset value of ATI excluding any deferred contingent amounts. This transaction was concluded on 1 April 2017.

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

Mineral rights are carried at fair value and are valued in the Company’s accounts at £15.3m (£13.2m) 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 17	Valuation method	Unobservable inputs	Input	Input sensitivity +/-	Change in valuation +/-
Alliance Trust Savings	**38,000**	Discounted cash flow	Cost of equity	**12.5%**	0.5/(0.5)	(2,500)/3,500
			Long-term growth rate	**2.0%**	1.0/(1.0)	2,000/(1,000)
			Long-term PBT margin	**0.0%**	1.0/(1.0)	3,000/(2,000)
Mineral rights	**15,297**	Oklahoma Tax Commission multiples and Lierle US Price report (for non-producing properties).	Revenue multiple - gas	**7**	1	1,196/(1,196)
			Revenue multiple - oil	**4**	1	696/(696)
			Revenue multiple - products/condensate	**4**	1	497/(497)
			Average bonus multiple non-producing	**1**	0.5	1,139/(1,139)

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.

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 TWIM 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 it will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are:

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

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

22 Financial instruments and Risk

22.9 Hierarchical Valuation of Financial Instruments

Unsecured fixed rate loan notes are recognised at fair value.

The Company refines and modifies its valuation techniques as markets develop. While the Company 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.

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

23 Share-Based Payments

The Company operated the share-based payment schemes:

All Employee Share Ownership Plan ('AESOP')

No new annual or matching awards will be made under the AESOP. Employees could receive up to £3,600 of shares annually under the terms of the AESOP. This amount was pro-rated for part-time employees. Individuals received these shares free of all restrictions after a period of five years. Employees of Alliance Trust Investments Ltd received awards of £1,500 in 2017. This cost was borne by Alliance Trust Investments Ltd. No awards were made to employees of Alliance Trust Savings Ltd.

Long Term Incentive Plan ('LTIP')

The LTIP is a discretionary plan for Executive Directors and senior managers. It comprises 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 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.

In the year ended 31 December 2017 no new awards were made and no Company shares were purchased (Nil at 31 December 2016). There was no charge to the Company Income statement in respect of LTIP awards (£1,000 charge). No future awards will be made in future.

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 were required to defer 50% of an annual bonus award for three 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.

Movements in options

Movements in options granted under the LTIP are as follows:

	December 2017		December 2016	
£000	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at 1 January	**1,725,833**	£0.00	2,394,619	£0.00
Granted during year	**50,300**	£0.00	85,102	£0.00
Exercised during year	**(260,065)**	£0.00	(188,111)	£0.00
Forfeited during year	**(56,213)**	£0.00	(9,686)	£0.00
Expired during year	**(569,303)**	£0.00	(556,091)	£0.00
Outstanding at 31 December	**890,552**	£0.00	1,725,833	£0.00
Exercisable at 31 December	**-**	£0.00	-	£0.00

The weighted average remaining contractual life of the options outstanding at 31 December 2017 was 877 days (745 days).

23 Share-Based Payments

Movements in options

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.

24 Pension Scheme

Historically the Company sponsors two pension arrangements. The following disclosures apply to the Company.

The Alliance Trust Companies' Pension Fund (the 'Scheme') is a funded final salary 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 (L&G). 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 other pension arrangement comprises contributions to individual SIPP plans held by employees in their own name.

The Scheme has no Participating Employers and the liabilities of the Scheme are fully matched by annuities held by the Trustees of the Scheme. The Trustees of the Scheme are in the process of winding up the Scheme and this is expected to be completed in 2018.

The disclosures which follow relate to the Scheme.

Participating Employer

ATSL, the sole Participating Employer, and ceased participation on 20 December 2017. The Scheme is now being prepared for winding up, L&G is issuing individual annuities to members and the Trustees of the Scheme are progressing the winding-up of the Scheme and it is expected this will be completed and the trust constituting the Scheme dissolved in 2018.

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 2017. 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 L&G to match the Scheme's liabilities to its members. The annuity was purchased by the Trustees of the Scheme on 31 May 2016.

Risks

Following the purchase of the group annuity policy the principal risks the Scheme typically exposes the Company 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 risk 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 2017	31 December 2016
Defined benefit obligation at start of year	**54,269**	37,119
Past service cost	**136**	139
Interest	**1,416**	1,398
Actuarial losses	**1,419**	16,303
Benefits paid	**(3,773)**	(690)
Defined benefit obligation at end of year	**53,467**	54,269

The Company has no unfunded pension obligations.

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

£000	31 December 2017	31 December 2016
Fair value of assets at start of year	**54,352**	44,001
Interest income	**1,414**	2,088
Actuarial gains/(losses)	**1,732**	(10,334)
Refund of payments previously made to L&G	**49**	-
Contributions by employer	**-**	19,400
Benefits paid	**(3,773)**	(690)
Administration costs	**(269)**	(113)

24 Pension Scheme

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

£000	31 December 2017	31 December 2016
Fair value of assets at end of year	**53,505**	54,352

Total credit recognised in the income statement

£000	31 December 2017	31 December 2016
Past service cost	**136**	139
Interest on Scheme liabilities	**1,416**	1,398
Interest income	**(1,414)**	(2,088)
Operating cost	**269**	113
Total expense/(credit)	**407**	(438)

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

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

£000	31 December 2017	31 December 2016
Difference between expected and actual return on the Scheme assets:		
Amount	**1,732**	(10,334)
Percentage of Scheme assets	**(3)%**	19%
Effects of changes in the financial assumptions underlying the present value of the Scheme liabilities:		
Amount	**(1,419)**	(14,430)
Percentage of present value of Scheme liabilities	**3%**	27%
Effects of changes in the demographic assumptions underlying the present value of the Scheme liabilities:		
Amount	**-**	(1,873)
Percentage of present value of Scheme liabilities	**-%**	4%
Total amount recognised in statement of comprehensive income:		
Amount	**313**	(26,637)
Percentage of present value of Scheme liabilities	**1%**	52%

Assets

£000	31 December 2017	31 December 2016	31 December 2015
Equities	**-**	-	17,601
Bonds	**-**	-	21,120
Other	**53,505**	54,352	5,280
	53,505	54,352	44,001

Other assets includes cash of £35m (£0.1m) and an insurance policy of £52.9m (£54.2m).

The assets are held independently of the assets of the Company in funds managed by L&G. None of the fair values of the assets shown above includes any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

Actual return on the Scheme assets

The actual return on the Scheme assets over the year ended 31 December 2017 was a gain of 6% (loss of 15%).

24 Pension Scheme

Assets

Assumptions

%	31 December 2017	31 December 2016	31 December 2015
Retail Price Index Inflation	**3.60**	3.65	3.50
Consumer Price Index Inflation	**2.70**	2.75	2.60
Rate of discount	**2.55**	2.70	3.80
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a.)	**3.45**	3.50	3.35
Allowance for revaluation of deferred pension of RPI (subject to a maximum increase of 5% p.a.)	**2.70**	2.75	2.20

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 2017, 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 27 years.

	31 December 2017	31 December 2016
Mortality assumptions	**Years**	**Years**
Male currently age 45 at 65	**27.0**	26.9
Female currently age 45 at 65	**29.2**	29.1
Male currently age 65	**24.8**	24.7
Female currently age 65	**26.9**	26.8

Sensitivities

The sensitivities used are based on industry practice and represent a reasonable approximation of possible changes. An estimate of the sensitivities regarding the principal assumptions used to measure the Scheme's liabilities is 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%	(£6,680,000)	0.5%	£7,932,000
RPI	0.5%	£6,244,000	0.5%	(£6,446,000)
Age of member	1 year	(£1,909,000)	1 year	£1,914,000

£000	31 December 2017	31 December 2016	31 December 2015
Present value defined benefit obligation	**53,467**	54,269	37,119
Fair value of Scheme assets	**53,505**	54,352	44,001
Surplus in Scheme	**38**	83	6,882

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 £30.1m (£30.4m).

All actuarial gains and losses are recognised immediately.

Contributions paid to the scheme

The Scheme closed to accrual on 2 April 2011. The Company paid contributions during 2016 of £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. No contributions were paid into the Scheme during the year, however, a premium refund of £49,000 was received from L&G during October 2017.

Amounts for the current and previous years

£000	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13
Fair value of assets	**53,505**	54,352	44,001	43,980	38,986
Defined benefit obligation	**53,467**	54,269	37,119	38,783	33,907
Surplus in Scheme	**38**	83	6,882	5,197	5,079

24 Pension Scheme

£000	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13
Experience adjustment on Scheme liabilities	**-**	-	4,857	10	(41)
Experience adjustment on Scheme assets	**(1,732)**	(10,334)	(1,411)	2,617	1,973
Effects of changes in the demographic and financial assumptions underlying present value of the Scheme liabilities	**1,419**	(16,303)	(3,468)	(4,133)	(2,807)

25 Operating lease commitments

As at 31 December 2017 the Company had total future minimum outgoing lease payments under non-cancellable operating leases as follows:

£000	31 December 2017		31 December 2016	
	Land and buildings	**Other**	**Land and buildings**	**Other**
Lease commitments payable				
Within 1 year	**250**	**16**	426	29
Between 2-5 years	**1,000**	**2**	1,292	19
After 5 years	**363**	**-**	613	-

In 2016 the Company had lease commitments payable on two properties. In 2017 one of the leases was assigned to a third party and the other property was sublet.

As at 31 December 2017 total future minimum lease amounts receivable under non-cancellable operating leases, including the sub-lease, were as follows:

£000	31 December 2017		31 December 2016	
	Land and buildings	**Other**	**Land and buildings**	**Other**
Lease commitments receivable				
Within 1 year	**532**	**-**	-	-
Between 2-5 years	**3,467**	**-**	-	-
After 5 years	**288**	**-**	-	-

26 Post balance sheet events

Sale of Liontrust Asset Management PLC shares

On 24 January 2018 Alliance Trust PLC ('Alliance Trust') announced that it had successfully sold 4,060,792 ordinary shares ('Placing Shares') in Liontrust Asset Management Plc ('Liontrust') to institutional investors at a price of 520p per share, raising net proceeds of c.£21m. The Placing Shares represent approximately 8.2% of Liontrust's entire issued share capital. The sale was made with the agreement of Liontrust and conducted on the behalf of Alliance Trust by Canaccord Genuity Limited ('Canaccord') acting as sole bookrunner.

GLOSSARY: PERFORMANCE MEASURES AND OTHER TERMS

Throughout this document we use a number of terms to describe performance. Where not described in detail elsewhere we set out here what these terms mean.

Active Risk is a measure of the risk in a portfolio that is due to active management decisions. It is calculated as the standard deviation of the excess returns of a portfolio over its benchmark. For the equity portfolio as at 31 December 2017 this was calculated as 2.2% in relation to the MSCI ACWI benchmark.

Active Share is a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index. For the equity portfolio as at 31 December 2017 this was calculated as 80% in relation to the MSCI ACWI benchmark.

Benchmark Volatility is a measure of the dispersion or variability of the benchmark returns, MSCI ACWI. It is calculated as the standard deviation of the benchmark returns over a one-year period. We calculate the benchmark volatility as at 31 December 2017 to be 12.8%.

Beta is a measure of the volatility of a portfolio in comparison to its benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta greater than 1 indicates that the investment is more volatile than the benchmark. The equity portfolio has a beta of 0.97 as at 31 December 2017.

Equity Portfolio Total Return is a measure of the performance of the Trust's equity portfolio over a specified period. It combines any appreciation in the value of the equity portfolio and dividends paid. The comparator used for equity portfolio return is the MSCI ACWI total return. The equity portfolio return was 18.0% over the year to end 31 December 2017 gross of manager fees. On page 14 we provide an analysis of the investment portfolio and equity portfolio return.

Gearing At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Leverage For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Trust's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Trust's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Trust's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

MSCI means MSCI Inc which provides information relating to the benchmark, the MSCI All Country World Index, against which the performance target for the equity portfolio has been set. MSCI's disclaimer regarding the information provided by it can be found on our website.

NAV Total Return is a measure of the performance of the Trust's net asset value over a specified period. It combines any appreciation in the net asset value and dividends paid. The comparator used for NAV total return is the MSCI ACWI total return, as a NAV total return for that index is not available.

The NAV at 31 December 2017 was 777.7p (2016: 667.5p), increasing 16.5% over the year. The NAV total return for the period was 18.5% and the effect of reinvesting the dividends was therefore 2.0%.

Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue and is stated on a cum-income basis. The Trust's balance sheet net asset value as at 31 December 2017 is £2.699633bn divided by the 347,135,270 shares in issue on that date giving a NAV per share of 777.7p

Ongoing Charges represent the total ongoing costs and are calculated in accordance with the guidelines issued by the Association of Investment Companies (AIC). More detailed information can be found on page 20.

Ongoing Charge Ratio (OCR) The total ongoing expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value). A fuller explanation and the method of calculation can be found on page 20.

Portfolio Volatility is a measure of the dispersion or variability of the equity portfolio returns. It is calculated as the standard deviation of the portfolio returns over a one-year period. We calculate the portfolio volatility as at 31 December 2017 to be 12.6%.

Total Assets represents total net assets less current liabilities, before deduction of all borrowings.

Total Shareholder Return (TSR) is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. The comparator used for total shareholder return is the MSCI ACWI total return. This measure shows the actual return received by a shareholder from their investment. The Trust's share price as at 31 December 2017 was 746.5p (2016: 638.0p), an increase of 17.0% over the year. The total shareholder return for the period was 19.2% and the effect of reinvesting the dividends was therefore 2.2%.

INFORMATION FOR SHAREHOLDERS

INCORPORATION

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

The Trust'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 Trust, or wish to receive a paper copy of our Annual Report, please contact the Trust Secretary at our registered office:

8 West Marketgait,
Dundee DD1 1QN
Tel: 01382 321010
Email: investor@alliancetrust.co.uk

Our website www.alliancetrust.co.uk contains information about the Trust, 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 Trust'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 Trust 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 Trust's Register of Members is, by law, information to which the public may, for a proper purpose, have access and the Trust cannot prevent any person inspecting it or having copies of it for such purpose, on payment of the statutory fee.

If you do not want to receive information from the Trust other than that which the Trust is obliged to issue to shareholders, please let us know and we will remove you from our mailing lists.

ANNUAL REPORT AND ELECTRONIC COMMUNICATIONS

We send paper Annual Reports only 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-uk.computershare.com/investor

TAXATION

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

INCOME TAX

Dividends paid by the Trust 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 Trust 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.

INVESTOR DISCLOSURE DOCUMENT

The EU AIFMD requires certain information to be made available to investors prior to their purchase of shares in the Trust. The Trust's Investor Disclosure Document is available at www.alliancetrust.co.uk

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 adviser 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 Trust, 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 Trust. The price generally stands below the net asset value of the Trust ('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 Trust's own assets.

The assets owned by the Trust 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 number 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 deal only with a financial services firm that is authorised by the FCA.

ANNUAL GENERAL MEETING

The 130th Annual General Meeting of the Trust will be held at 11.00 am on Thursday 26 April 2018 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. The Meeting will be followed in the afternoon by a presentation from Willis Towers Watson and two of the equity managers.

FINANCIAL CALENDAR

Proposed dividend payment dates for the financial year to 31 December 2018 are on or around:

- 2 July 2018
- 1 October 2018
- 31 December 2018
- 1 April 2019

DIVIDEND TAX ALLOWANCE

From April 2016 dividend tax credits have been replaced by an 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 adviser.

COMMON REPORTING STANDARDS

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 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 0370 889 3187.

TEN-YEAR RECORD

A ten-year record of the Trust's Financial Performance is provided below.

Assets £m as at	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	31 Dec 2017
Total assets	2,211	2,704	3,268	2,676	2,702	3,478	3,415	3,351	3,541	2,979
Loans	(50)	(160)	(339)	(249)	(200)	(380)	(380)	(390)	(220)	(233)
Net assets	2,123	2,513	2,895	2,400	2,491	2,886	3,019	2,948	3,284	2,700
Net asset value (p)										
NAV per share	316.8	377.7	439.0	405.8	444.9	516.5	544.8•	559.0•	667.5•	777.7•
NAV total return on 100p – 10 years*							210.7	178.6	198.3	217.8
Share price (p)										
Closing price per share	268.0	313.0	364.0	342.8	375.3	450.1	478.9	517.0	638.0	746.5
Share price High	353.7	337.0	377.9	392.7	383.5	464.2	481.1	528.5	641.5	747.5
Share price Low	218.0	233.0	293.5	310.2	337.0	375.3	426.0	440.1	447.3	638.0
Total shareholder return on 100p – 10 years*							226.0	197.0	225.5	266.4
Gearing/Net cash (%)										
Gearing	–	5	11	7	7	12	11	13	6	5
Net cash	11	–	–	–	–	–	–	–	–	–

	Year ended 31 January			11 mths to	Year ended 31 December					
Revenue	2009	2010	2011	31 Dec 2011	2012	2013	2014	2015	2016	2017
Profit after tax	£69.5m	£61.1m	£63.8m	£61.9m	£55.6m	£60.6m	£68.8m	£60.2m	£65.9m	£48.5m
Earnings per share	10.37p	9.14p	9.67p	9.87p	9.74p	10.83p	12.38p	12.43p†	12.77p	12.87p
Dividends per share	8.00p	8.15p	8.395p	9.00p	9.27p	9.55p	9.83p	10.97p	12.77p	13.16p
Special dividend	0.50p	–	–	–	0.36p	1.28p	2.546p	1.46pΔ	–	–

Performance (rebased at 31 Jan 2008) as at	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	31 Dec 2017
NAV per share	75	90	104	96	106	123	130	133	158	185
Closing price per share	73	86	100	94	103	123	131	141	174	204
Earnings per share	120	106	112	117	112	125	143	143	147	149
Dividends per share (excluding special)	106	108	111	119	122	126	130	145	169	174

	Year ended 31 January			11 mths to	Year ended 31 December					
Cost of running the Trust	2009	2010	2011	31 Dec 2011	2012	2013	2014	2015	2016	2017
Administrative expenses	£16.8m	£16.0m	£17.0m	£16.0m	£18.7m	£21.5m	£20.8m	£23.9m	£16.8m	£17.4m
Ongoing charges ratio (excluding capital incentives***)	0.60%	0.64%	0.53%	0.56%**	0.67%	0.75%	0.60%	0.59%	0.43%	0.54%
Total expense ratio	0.67%	0.69%	0.60%	0.60%**	0.71%	0.80%	0.64%	0.63%	0.54%	0.59%

•With debt at fair value.

*Source: Morningstar UK Ltd.

†Includes capital dividend paid December 2015.

ΔCapital 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.

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