50th consecutive year of ordinary dividend increases
On track to implement new investment management approach

<u>Results for year to 31 December 2016</u>

- Share price at 31 Dec 2016 was 638.0p, up 23% from 517.0p at 31 Dec 2015
- Total Shareholder Return for 2016 was 26.4%, an increase from 10.7% in 2015
- NAV per share at 31 Dec 2016 was 667.5p, up 19.4% from 559.0p at 31 Dec 2015
- NAV Total Return was 21.5% for 2016 compared with 5.4% in 2015
- Total ordinary dividend for 2016 is 12.774p, an increase of 16.4% compared with 2015 (10.97p)
- Discount to NAV at 31 Dec 2016 was 4.4%, compared with 8.1% at 31 Dec 2015
- Ongoing Charges Ratio for 2016 was 0.43% compared with 0.59% for 2015

Lord Smith of Kelvin, Chairman of Alliance Trust PLC, said:

"The last two years have seen considerable change for Alliance Trust and we are very appreciative of the strength of support shareholders have shown. With a clear course of direction and a settled shareholder register, we believe that Alliance Trust is now well placed for the future. The clear focus of the Board and Willis Towers Watson (WTW), the new investment manager, is to generate a real return for shareholders through a combination of capital growth and rising dividends."

2016 Performance

- Total Shareholder Return (TSR) of 26.4% and Net Asset Value (NAV) Total Return for the Trust of 21.5%

- 50th consecutive year of ordinary dividend increases - total ordinary dividend of 12.774p, up 16.4% on 2015

- Discount to NAV narrowed to 4.4% reflecting benefits of an active programme of share buybacks

- Equity portfolio underperformed the MSCI ACWI benchmark by 6.5%, driven primarily by stock selection, with asset allocation a minor negative

- Target of reducing Ongoing Charges Ratio achieved, 0.43% compared to 0.59% for 2015

- Alliance Trust Savings' Assets Under Administration rose by 60% to £13.6bn with a 31% increase in the number of customer accounts. ATS reported a full-year profit[1] of £1.2m (2015: £5.2m loss)

- Alliance Trust Investments' third-party Assets Under Management rose by 11.5% to £2.3bn and the business made a profit[1] of £0.4m during the year (2015: £2.1m loss)

Strategic Development & Implementation of New Approach

- Outcome of our Strategic Review was announced on 15th December 2016 and our new investment approach was approved by Shareholders on 28th February 2017

    - Willis Towers Watson (WTW) to be appointed new investment manager

    - WTW will work with 'best-in-class'[2] managers across the world, each of whom will create a concentrated portfolio of their 'best ideas'

    - New investment management approach aims to achieve consistent outperformance at a competitive cost, while maintaining our progressive dividend policy

    - Equity portfolio to be transitioned to WTW by the end of April, 2017

- Sale of Alliance Trust Investments to Liontrust Asset Management to complete by early April; representing an expected gain of over £5m from its valuation at 30 June 2016

- Repurchase of Elliott's shares completed at a discount of 4.75% to NAV; active programme of share buybacks continues

Notes

[1] Profit before tax
[2] As rated by WTW

George Renouf
Director of Investor Relations
Alliance Trust PLC
T: 01382 321022

Stephen Malthouse,
Martin Pengelley
Tulchan Communications
T: 020 7353 4200

Election and Re-election of Directors

At the Annual General Meeting on 27 April 2017 all Directors are standing for election or re-election.

Chairman's Statement

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

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

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

Strategic Review

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

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

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

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

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

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

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

Performance in 2016

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

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

Significant Event

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

Board Changes

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

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

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

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

Lord Smith of Kelvin
Chairman

2016 Strategic Review

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

Existing objectives	Developments resulting from the Review
Clear investment mandate to improve performance	A new approach to investment management to be adopted to increase the likelihood of delivering consistently the performance target: • Move from a single manager to multiple equity managers, each rated 'best-in-class' by WTW • Each equity manager to create a focused portfolio of their top investment selections Equity portfolio outperformance target doubled to 2% p.a. net of costs over rolling three-year periods
Policy of progressive dividends	• The Board reaffirms its commitment to its progressive dividend policy • Aiming to build on Alliance Trust's 50-year track record of year-on-year ordinary dividend growth
Commitment to narrow the discount	• An active programme of share buybacks has been introduced with the aim of achieving a significantly narrower discount reflecting the Board's determination to narrow materially the discount • Since announcing this programme the discount has reduced to below 5% and has been around this level since the end of 2016
Providing good value	• Increased value: the previous equity portfolio's outperformance target above the MSCI All Country World Index ('ACWI') was 1% net of 0.45% ongoing costs increased to 2% outperformance with ongoing costs below 0.65% over rolling three-year periods • The Board is setting a target of total annual costs of under 0.65% which is below the median for the investment trusts in the AIC global sector
Simplifying our structure	• Alliance Trust Investments to be sold to Liontrust Asset Management Plc representing an expected gain of over £5m from its valuation at 30 June 2016 • Alliance Trust Savings continues to make good progress and remains part of the Group; it has reported a profit in 2016 and is well placed to develop further

Investment Manager's Report - 2016

Summary

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

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

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

Review of Performance

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

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

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

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

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

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

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

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

Portfolio Activity

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

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

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

Investment case: Health Care

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

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

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

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

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

Source: Alliance Trust

Investment case: Technology

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

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

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

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

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

Source: Alliance Trust

Portfolio Risk

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

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

Benchmark relative risk %

	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
Predicted tracking error	2.61	2.63	2.75	2.74	2.77	2.79	2.79	2.95	2.94	2.94	2.94	2.93	2.91

Source: MSCI Barra

Stewardship

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

Asset Allocation and Gearing in 2016

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

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

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

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

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

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

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

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

Attribution analysis (%)

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

Source: Alliance Trust and Factset

Non-core Investments

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

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

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

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

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

Contribution Analysis – 2016

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

*includes investments in Funds

Source: Alliance Trust and FactSet

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

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

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

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

Alliance Trust Investments

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

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

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

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

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

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

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

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

Key Performance Indicators
for the year to 31 December

Fair Value		Change
2016	£28.3m	+43%
2015	£19.8m	

Funds above median over 3 years		Change
2016	67%	-14%
2015	78%	

Third party assets under management*		Change
2016	£2.3bn	+11.5%
2015	£2.1bn	

Third party net inflows*		Change
2016	£51m	-37%
2015	£81m	

* Excludes effect of Alliance Trust mandate in February 2016.

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

Alliance Trust Savings

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

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

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

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

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

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

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

Key Performance Indicators
For the year to 31 December

Fair Value		Change
2016	£61.5m	+14%
2015	£54.0m	

Assets under administration		Change
2016	£13.6bn	+60%
2015	£8.5bn	

Customer accounts		Change
2016	110,962	+31%
2015	84,746	

Number of trades		Change
2016	673,486	+25%
2015	539,222	

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

*Operating income per ATS Financial Statement.
** In 2016 this is the net of the gain on discontinued operations of £1.7m and non-recurring expenses of £1.8m.

The 2015 expense (£2.1m) related to a provision for discontinued operations.

Costs and Financial Measures – 2016

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

Ongoing Charges Ratio (OCR)

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

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

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

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

As in prior years the OCR excludes non-recurring costs. Non-recurring costs in 2016 were £3.4m (2015: £5.2m).

	Ongoing charges ratio (%)
2012	0.67
2013	0.75
2014	0.60
2015	0.59
2016	0.43

Source: Alliance Trust

Cost savings across the Investment Business

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

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

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

Dividends

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

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

Discount

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

Alliance Trust PLC
Ongoing Charges Ratio (OCR) Summary 2016

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

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

The expenses relating to Alliance Trust Investments and Alliance Trust Savings can be found on page 16 and 17 of the Annual Report.

Risk Management

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

Risk Management Framework

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

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

Risk Appetite

A Risk appetite statement has been approved by the Board and provides the basis for the level of risk the Group is prepared to accept. A suite of risk appetite metrics have been agreed and activity is monitored against stated triggers and limits.

Risk Governance Committees

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

Principal Risks

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

Market and Prudential Risks

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

Operational Risks

Risk	Description	Mitigating activities	Change
Cyber attack	Failure to ensure that the business is adequately protected against the threat of cyber attack, which may lead to significant business disruption or external fraud. Despite action taken by management to improve systems the increasing trend is due to the general growth in cyber related incidents across the industry.	• Systems and controls to protect the business regularly tested • Ongoing monitoring of environment to understand threat landscape • Programme of enhancements to keep pace with latest defence strategies • Business continuity plans in place should an incident occur	Increase

Change of Investment Manager	The Company changed its investment manager to Alliance Trust Investments in 2016 and will change it to Willis Towers Watson in 2017.	• Experienced investment managers • Use of transition manager for the investment switch to Willis Towers Watson	Unchanged

Strategic Risks

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

Regulatory and Conduct Risks

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

Risk Appetite

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

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

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

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

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

Corporate Responsibility

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

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

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

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

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

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

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

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

Total Greenhouse Gas emissions data

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

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

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

The Strategic Report (comprising the inside cover to page 25 of the Annual Report and the viability statement on page 37 of the Annual Report) has been approved by the Board and signed on its behalf by Lord Smith of Kelvin, Chairman.

<u>Going Concern Statement</u>

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

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

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

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

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

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

Consolidated income statement for the year ended 31 December 2016

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

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

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

Consolidated statement of comprehensive income

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

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

* 2015 restated to reflect reporting of fixed rate loan notes at fair value.

Company income statement for the year ended 31 December 2016

	Year to December 2016			Year to December 2015		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital ***	**Total**
Income	**84,783**	**-**	**84,783**	92,348	-	92,348
Profit on fair value designated investments	**-**	**591,755**	**591,755**	-	87,334	87,334
Profit on investment property	**-**	**-**	**-**	-	720	720
(Loss)/Profit on fair value of debt*	**-**	**(9,800)**	**(9,800)**	-	1,200	1,200

Total*	**84,783**	**581,955**	**666,738**	92,348	89,254	181,602
Administrative expenses	**(7,960)**	**(8,810)**	**(16,770)**	(22,835)	(1,133)	(23,968)
Finance costs	**(2,586)**	**(5,107)**	**(7,693)**	(3,968)	(5,281)	(9,249)
(Loss)/Gain on revaluation of office premises	**-**	**(40)**	**(40)**	-	175	175
Foreign exchange losses	**-**	**(2,527)**	**(2,527)**	-	(84)	(84)
Profit before tax*	**74,237**	**565,471**	**639,708**	65,545	82,931	148,476
Tax	**(8,367)**	**(2,248)**	**(10,615)**	(5,360)	-	(5,360)
Profit for the year*	**65,870**	**563,223**	**629,093**	60,185	82,931	143,116

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

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

Company statement of comprehensive income

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

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

* 2015 restated to reflect reporting of fixed rate loan notes at fair value.

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

	Group		Company	
£000	**Dec 16**	**Dec 15***	**Dec 16**	**Dec 15***
Called up share capital				
At 1 January	**13,160**	13,835	**13,160**	13,835
Own shares purchased and cancelled in the year	**(841)**	(675)	**(841)**	(675)
At 31 December	**12,319**	13,160	**12,319**	13,160
Capital reserve				
At 1 January*	**2,160,142**	2,223,715	**2,163,026**	2,223,950
Profit for the year	**565,465**	80,282	**563,223**	82,931
Defined benefit plan actuarial net loss	**(22,159)**	(118)	**(22,159)**	(118)
Own shares purchased and cancelled in the year	**(195,841)**	(136,479)	**(195,841)**	(136,479)
Share based payments	**110**	521	**110**	521
Dividends paid	**-**	(7,779)	**-**	(7,779)
At 31 December*	**2,507,717**	2,160,142	**2,508,359**	2,163,026

Merger reserve				
At 1 January and at 31 December	**645,335**	645,335	**645,335**	645,335

Capital redemption reserve				
At 1 January	**5,838**	5,163	**5,838**	5,163
Own shares purchased and cancelled in the year	**841**	675	**841**	675
At 31 December	**6,679**	5,838	**6,679**	5,838

Revenue reserve				
At 1 January	**112,565**	120,916	**111,921**	120,679
Profit for the year	**65,863**	60,592	**65,870**	60,185
Dividends paid	**(66,329)**	(68,982)	**(66,329)**	(68,982)
Unclaimed dividends (redistributed)/returned	**(12)**	39	**(12)**	39
At 31 December	**112,087**	112,565	**111,450**	111,921

Total Equity at 1 January*	**2,937,040**	3,008,964	**2,939,280**	3,008,962

Total Equity at 31 December*	**3,284,137**	2,937,040	**3,284,142**	2,939,280

* 2015 restated to reflect reporting of fixed rate loan notes at fair value. The restatement of the fixed rate loan notes to fair value led to a decrease in net assets and total equity as 31 December 2014 of £10.2m and an increase in net assets as at 31 December 2015 of £1.2m.

Balance sheet as at 31 December 2016

	Group		Company	
£000	**Dec 16**	**Dec 15***	**Dec 16**	**Dec 15***
Non-current assets				
Investments held at fair value	**3,474,165**	3,307,397	**3,474,197**	3,309,671
Property, plant and equipment:				
Office premises	**4,500**	4,540	**4,500**	4,540
Other fixed assets	**24**	299	**24**	299
Intangible assets	**-**	917	**-**	917
Pension scheme surplus	**83**	6,882	**83**	6,882
Deferred tax asset	**72**	1,238	**72**	1,238
	3,478,844	3,321,273	**3,478,876**	3,323,547
Current assets				
Outstanding settlements and other receivables	**9,760**	12,125	**9,821**	9,428
Recoverable overseas tax	**2,997**	1,483	**2,997**	1,483
Cash and cash equivalents	**51,094**	25,153	**49,430**	16,967
	63,851	38,761	**62,248**	27,878
Total assets	**3,542,695**	3,360,034	**3,541,124**	3,351,425
Current liabilities				
Outstanding settlements and other payables	**(15,627)**	(17,570)	**(14,051)**	(7,818)
Tax payable	**(3,991)**	(3,991)	**(3,991)**	(3,991)
Bank loans	**(120,000)**	(290,000)	**(120,000)**	(290,000)

	(139,618)	(311,561)	**(138,042)**	(301,809)
Total assets less current liabilities	**3,403,077**	3,048,473	**3,403,082**	3,049,616
Non-current liabilities				
Unsecured fixed rate loan notes*	**(118,800)**	(109,000)	**(118,800)**	(109,000)
Deferred tax liability	**(72)**	(1,238)	**(72)**	(1,238)
Amounts payable under long term Investment Incentive Plan	**(68)**	(1,195)	**(68)**	(98)
	(118,940)	(111,433)	**(118,940)**	(110,336)
Net assets*	**3,284,137**	2,937,040	**3,284,142**	2,939,280
Equity				
Share capital	**12,319**	13,160	**12,319**	13,160
Capital reserve*	**2,507,717**	2,160,142	**2,508,359**	2,163,026
Merger reserve	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve	**6,679**	5,838	**6,679**	5,838
Revenue reserve	**112,087**	112,565	**111,450**	111,921
Total Equity*	**3,284,137**	2,937,040	**3,284,142**	2,939,280

All net assets are attributable to equity holders of the parent

* 2015 restated to reflect reporting of fixed rate loan notes at fair value.

Net Asset Value per ordinary share attributable to equity holders of the parent

Basic (£)*	**£6.67**	£5.59	**£6.67**	£5.59
Diluted (£)*	**£6.67**	£5.58	**£6.67**	£5.58

Cash flow statement for the year ended 31 December 2016

	Group		**Company**	
£000	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Cash flows from operating activities				
Profit before tax	**641,943**	146,236	**639,708**	148,476
Adjustments for:				
Gains on investments	**(593,997)**	(85,857)	**(591,755)**	(88,054)
Losses/(Gains) on fair value of debt	**9,800**	(1,200)	**9,800**	(1,200)
Foreign exchange losses	**2,527**	84	**2,527**	84
Depreciation	**57**	193	**57**	193
Disposals and transfers of fixed assets	**(174)**	-	**(174)**	-
Amortisation of intangibles	**-**	329	**-**	329
Loss/(Gain) on revaluation of office premises	**40**	(175)	**40**	(175)
Share based payment expense	**110**	521	**110**	521
Finance costs	**7,693**	9,253	**7,693**	9,249
Movement in pension scheme surplus	**(15,360)**	(1,707)	**(15,360)**	(1,707)
Operating cash flows before movements in working capital	**52,639**	67,677	**52,646**	67,716
Decrease/(increase) in receivables	**2,366**	3,367	**(392)**	7,585
(Decrease)/Increase in payables	**(3,311)**	10,067	**5,962**	1,037
Net cash flow from operating activities before income taxes	**51,694**	81,111	**58,216**	76,338
Taxes paid	**(12,129)**	(5,948)	**(12,129)**	(5,948)

Net cash inflow from operating activities	**39,565**	75,163	**46,087**	70,390
Cash flows from investing activities				
Proceeds on disposal at fair value of investments through profit and loss	**1,481,435**	1,325,859	**1,481,435**	1,325,859
Purchases of fair value through profit and loss investments	**(1,054,086)**	(1,206,841)	**(1,054,086)**	(1,206,841)
Purchase of plant and equipment	**(6)**	(25)	**(6)**	(25)
Proceeds on transfer/(purchases) of other intangible assets to Group companies	**917**	(214)	**917**	(214)
Proceeds on transfer of property, plant and equipment to Group companies	**395**	-	**395**	-
Net cash inflow from investing activities	**428,655**	118,779	**428,655**	118,779
Cash flows from financing activities				
Dividends paid - Equity	**(66,329)**	(76,761)	**(66,329)**	(76,761)
Unclaimed dividends (redistributed)/returned	**(12)**	39	**(12)**	39
Purchase of own shares	**(195,841)**	(136,479)	**(195,841)**	(136,479)
Bank loans and unsecured fixed rate loan notes raised	**-**	10,000	**-**	10,000
Repayment of borrowing	**(170,000)**	-	**(170,000)**	-
Finance costs paid	**(7,570)**	(9,606)	**(7,570)**	(9,602)
Net cash outflow from financing activities	**(439,752)**	(212,807)	**(439,752)**	(212,803)
Net cash increase/(decrease) in cash and cash equivalents	**28,468**	(18,865)	**34,990**	(23,634)
Cash and cash equivalents at beginning of year	**25,153**	44,102	**16,967**	40,685
Effect of foreign exchange rate changes	**(2,527)**	(84)	**(2,527)**	(84)
Cash and cash equivalents at end of year	**51,094**	25,153	**49,430**	16,967

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2016 or the year ended 31 December 2015, but is derived from those accounts.

The same accounting policies, presentations and methods of computation are followed in these financial statements as were applied in the Group’s last annual audited financial statements, other than; during 2016, the Group changed its accounting policy for the measurement of unsecured fixed rate loan notes: in particular changing from measuring at amortised cost to fair value. The Directors believe this change results in a more appropriate treatment in line with market practice. As a result of this change, in accordance with IFRS, the amended policy has been applied retrospectively and prior periods restated. Further detail is provided in the Annual Report.

Basis of accounting

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs on its website.

1. Revenue

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

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

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

2. Administrative expenses for the Company comprise £16.8m (£23.9m), and Group administrative expenses comprise £16.8m (£46.0m). From 1 January 2016 the Company, where consistent with the AIC SORP, has attributed indirect expenditure including management fees and finance costs one third to revenue and two thirds to capital profits. This excludes costs which under the AIC SORP are chargeable to revenue profits. In prior periods the Company allocated all indirect expenditure against revenue profits save two thirds of finance costs which were allocated against capital profits.

3. The diluted earnings per share is calculated using the weighted average number of ordinary shares, which includes 698,062 (886,173) ordinary shares acquired by the Trustee of the Employee Benefit Trust (“EBT”) with funds provided by the Company. The basic earnings per share is calculated by excluding these shares. The basic Net Asset Value per share calculation also excludes these shares.

4. All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, from 1 January 2016 the Company, where consistent with the AIC SORP is attributing indirect expenditure including management fees and finance costs one third to revenue and two thirds to capital profits, specifically:

    - Expenses which are incidental to the acquisition of an investment are included within the cost of that investment.
    - Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of that investment.
    - Annual bonus and Long Term Incentive Plan costs which relate to the achievement of investment manager performance objectives, total shareholder return and net asset value performance objectives are allocated against capital profits and those that relate to the achievement of other corporate targets or job performance objectives against revenue profits.

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

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

   For 31 December 2016 the fair valuation of ATI is based on the recently announced transaction to sell ATI to Liontrust Asset Management PLC. The reported fair value of ATI reflects the 30 December 2016 value of Liontrust Asset Management PLC shares to be used as consideration for the purchase of ATI, the expected net asset value of ATI and excludes any contingent amounts.

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

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

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

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

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

£000 Investment	**Fair Value at Dec 2016**	**Valuation Method**	**Unobservable inputs**	**Input**	**Input sensitivity +/-**	**Change in valuation +/-**
Alliance Trust Savings	**61,500**	Discounted cash flow	DCF discount rate	**12.5%**	0.5	3,800/(3,500)
Mineral Rights	**13,187**	Oklahoma Tax Commission multiples and Lierle US Price report (for non-producing properties).	Revenue multiple - gas	**7**	1	933/(933)
			Revenue multiple - oil	**4**	1	363/(363)
			Revenue multiple - products/condensate	**4**	1	760/(760)
			Average bonus multiple non-producing	**1**	0.5	1,158/(1,158)

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

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

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

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

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

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

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

Number of Issued Shares as at 31 December 2016

492,703,932 Ordinary Shares of 2.5p

Since the year end 126,845,866 shares have been purchased for cancellation.

Report and Accounts

The Report and Accounts will be available in due course on the Company's website www.alliancetrust.co.uk. It will also be made available to the public at the Company's registered office, 8 West Marketgait, Dundee DD1 1QN and at the offices of the Company's Registrar, Computershare Investor Services PLC, Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh EH12 9DF after publication.

In addition to the full annual report, up-to-date performance data, details of new initiatives and other information about the Company can be found on the Company's website.

Annual General Meeting

The 129th Annual General Meeting of the Company will be held at 11.00am on Thursday 27 April 2017 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.

Statement of Directors' Responsibilities

The responsibility statement below has been prepared in connection with the Company's Annual Report and Accounts for the year ended 31 December 2016. Certain parts thereof are not included within this announcement.

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
24 March 2017