Alliance Trust PLC

8 March 2018

A transformational year with encouraging equity outperformance

Results for the year ended 31 December 2017

Financial Highlights	As at 31 Dec 2017	As at 31 Dec 2016	Year-on-year change
Share price	746.5p	638.0p	17.0%
NAV per share	777.7p	667.5p	16.5%
Total dividend	13.16p	12.774p	3.0%

Full Year 2017 Performance Highlights

- Total Shareholder Return (TSR) of 19.2% and Net Asset Value (NAV) Total Return of 18.5%, compared with MSCI ACWI total return of 13.8%.
- Equity portfolio outperformed the MSCI ACWI benchmark over the year by 4.2% despite macro-economic and political uncertainty.
- Costs remain competitive and the Ongoing Charges Ratio was 0.54% for the year (or 0.62% for the nine months since 1 April). This is targeted to be below 0.65% each year.
- Final dividend of 3.29p, bringing total dividend to 13.16p for 2017, up 3% on 2016 dividends, building on our impressive 50 year track-record of dividend growth.
- Discount to NAV averaged 5.4% in 2017 supported by our share buyback program.

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

"This has been a transformational year for the Trust. We implemented our new investment approach – a global alliance of high-conviction equity managers – on 1 April 2017 and, in its early days, the approach is delivering encouraging results and outperformance. We are delighted that as we move into our 130th year we are continuing the Trust's progressive dividend policy and believe the foundations are now firmly in place for Alliance Trust to deliver strong and sustainable performance for our shareholders for generations to come."

Summary of 2017

The Trust appointed Willis Towers Watson as investment manager and implemented our new investment approach on 1 April 2017. This offers shareholders exposure to an alliance of "best-in-class" global equity managers each of whom invests with high conviction all at a competitive cost.

From 1 April to year end, the equity portfolio achieved a Total Return of 9.8% compared to our benchmark's performance of 7.6% over that period. The ongoing charges ratio was 0.62% for that period. This outperformance is particularly pleasing against the backdrop of world markets in 2017, which were characterised by macro-economic and political uncertainty.

In terms of its other holdings since the year end, the Trust has sold the shares in Liontrust which were received as part of the consideration for selling our subsidiary, Alliance Trust Investments (ATI) in April 2017. The expected total gain of £10m has been more than offset by a reduction in the value of Alliance Trust Savings (ATS), which represents only 1.3% of our investment portfolio.

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 incurring significant costs to resolve customer service issues following the integration of the Stocktrade operations in Dundee. 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, which has resulted in an exceptional charge of £13.2m. After this charge, ATS's loss for the year was £19.3m.

With an encouraging start to our new investment approach and a continuation of our progressive dividend we believe the foundations are now firmly in place for Alliance Trust to deliver strong and sustainable performance for our shareholders for generations to come.

-ENDS-

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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.

*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

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.

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

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 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 (%)

	Outperformance (%)
Total Outperformance	2.2%
Allocation	-0.4%
Stock Selection	2.6%

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

SECTOR PERFORMANCE ATTRIBUTION (%)

	Outperformance (%)
Total Outperformance	2.2%
Allocation	0.4%
Stock Selection	1.8%

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*

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.

*Alternative Performance Measure (refer to Glossary on Page 89 of the Annual Report).

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

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.

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.

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 2017 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		Change
2017	£38.0m	-38%
2016	£61.5m	

Assets under administration		Change
2017	£15.8bn	+16%
2016	£13.6bn	

Customer accounts		Change
2017	113,317	+2%
2016	110,962	

Number of trades		Change
2017	755,638	+12%
2016	673,486	

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 (%)
2013	0.75
2014	0.60
2015	0.59
2016	0.43
2017	0.54
Apr-Dec 2017	0.62

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 fee	3,307	6,756	10,093	3,118	6,237	9,366
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 table below shows our discount during 2017 and the reduction in our buyback activity over the year.

SHARE BUYBACKS AND DISCOUNT

Month	Shares(m)	Average Discount (%)
January	10,944,702	5.10
February	7,201,025	4.80
March	15,793,963	5.04
April	3,526,184	4.97
May	3,075,341	4.97
June	3,684,895	5.67
July	1,511,579	5.76
August	1,284,450	5.78
September	671,234	5.73
October	118,665	5.37
November	1,302,162	5.70
December	519,000	5.48

Source: Alliance Trust and Morningstar.

RISK MANAGEMENT

INTRODUCTION

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 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 of the Annual Report) 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

<table>
<tr><td colspan="6">Risk universe</td></tr>
<tr><td colspan="6">Risk appetite</td></tr>
<tr><td colspan="6">Policies</td></tr>
<tr><td colspan="3">Governance</td><td colspan="3">Management Information</td></tr>
<tr><td colspan="3">Risk management organisation</td><td colspan="3">Risk management methodologies</td></tr>
<tr><td colspan="2">Embed risk practices</td><td colspan="2">Culture</td><td colspan="2">Conduct</td></tr>
</table>

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 within the Annual 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.	Unchanged

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.	Unchanged
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.	Unchanged
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.	Unchanged

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	Increased due to the higher number of outsourced providers.

		service providers are received and reviewed by the Board.	

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.	Unchanged

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.	Unchanged

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.	Unchanged

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.	Unchanged

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 page13 of the Annual Report) 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 the Annual Report and the viability statement on page 41 of the Annual Report) has been approved by the Board and signed on its behalf by

Lord Smith of Kelvin
Chairman

GOING CONCERN STATEMENT

The Trust's business activities are set out on page 4 of the Annual Report with the principal risks which could impact on performance set out on pages 23 to 25 of the Annual Report. The financial statements as set out on pages 58 to 88 of the Annual Report along with an analysis of its borrowings in Note 14 on page 74 of the Annual Report. 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 of the Annual Report.

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 the Annual Report. Accordingly the Directors believe that it is appropriate to continue to adopt the Going Concern basis for preparing the financial statements.

ELECTION AND RE-ELECTION OF DIRECTORS

Details of the current Directors can be found on pages 28 and 29 of the Annual Report. 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.

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.

REPORT OF DIRECTORS AND RESPONSIBILITY STATEMENT

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

Income statement for the year ended 31 December 2017

	Year to December 2017			Year to December 2016		
£000	**Revenue Return**	**Capital Return**	**Total**	**Revenue Return**	**Capital Return**	**Total**
Income	**60,525**	**-**	**60,525**	84,783	-	84,783
Profit on fair value designated investments	**-**	**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	**(3,307)**	**(6,786)**	**(10,093)**	(3,114)	(6,227)	(9,341)
Administrative expenses	**(5,496)**	**(1,843)**	**(7,339)**	(4,846)	(2,583)	(7,429)
Finance costs	**(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	**(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.						
Earnings per share attributable to equity holders						
Basic (p per share)	**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

	Year to December 2017			Year to December 2016		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**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)	**-**	**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 31 December 2017 for the year is attributable to equity holders.

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

£000	**2017**	**2016**
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	2017	2016
Non-current assets		
Investments held at fair value	**2,836,875**	3,474,197
Property, plant and equipment	**4,935**	4,524
Pension scheme surplus	**38**	83
Deferred tax asset	**6**	72
	2,841,854	3,478,876
Current assets		
Outstanding settlements and other receivables	**31,607**	12,818
Cash and cash equivalents	**105,808**	49,430
	137,415	62,248
Total assets	**2,979,269**	3,541,124
Current liabilities		
Outstanding settlements and other payables	**(21,679)**	(14,051)
Tax payable	**(3,991)**	(3,991)
Bank loans	**(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	**(120,960)**	(118,800)
Deferred tax liability	**(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	**8,691**	12,319
Capital reserve	**1,923,439**	2,508,359
Merger reserve	**645,335**	645,335
Capital redemption reserve	**10,307**	6,679
Revenue reserve	**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 (£)	**£7.78**	£6.67
Diluted (£)	**£7.77**	£6.67

Cash flow statement for the year ended 31 December 2017

£000	2017	2016
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 revaluation of other assets held at fair value	**(1,450)**	40
Share based payment expense	**-**	110
Finance costs	**6,190**	7,693
Movement in pension scheme surplus 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

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

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 in the Annual Report. 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.

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 Company's revenue is as follows:

£000	**2017**	**2016**
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

2. 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).

3. The diluted earnings per share is calculated using the weighted average number of ordinary shares, which includes 456,886 (698,062) 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. 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.

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

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.

5. Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £88.0m (£169.8m) 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 £38.0m (£61.5m). 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.

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 2017**	**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%**	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 Alliance Trust Savings, an increase in the long-term growth rate and long-term PBT margin or a decrease in the cost of equity would lead to an increase in the estimated value. For mineral rights, an increase in the revenue multiple and average bonus multiple would lead to an increase in the estimated value.

Private equity 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). Towers Watson Investment Management Limited (TWIM) investment manager to the Company 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.

Unsecured fixed rate loan notes are recognised at fair value.

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

ANNUAL REPORT

The Annual Report 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 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.