

**Alliance Trust PLC**

22 July 2016

**Results for six months ended 30 June 2016**

<b>Financial Highlights</b>	As at 30 June 2016	As at 31 Dec 2015	As at 30 June 2015
Share price	524.0p	517.0p	484.8p
NAV per share	591.4p*	561.1p**	545.9p**
Total dividend	5.65p	12.43***	5.065p

\* Balance sheet value calculated with debt at fair value

\*\* Balance sheet value calculated with debt at par

\*\*\* Full year dividend for the year ended 31 December 2015

Lord Smith of Kelvin, Chairman of Alliance Trust PLC commented: “In volatile markets we continue to make good progress against the initiatives outlined last year to enhance shareholder value. Costs are coming down, ATI and ATS are making good strides towards profitability, and a fully non-executive Board is in place. In addition we announced during the period that the Board has initiated a strategic review of the Group, encompassing a broad range of potential courses of action. This review is progressing well and we will report back on the outcome later in the year.

“Investment performance in the period underperformed the benchmark, reflecting the turbulent market conditions around the EU referendum when the Trust’s quoted equity portfolio gave up the outperformance it had recorded over the prior five months. However, since the period end Alliance Trust’s share price has reached new highs.”

**Progress Against our Objectives**

## Improve investment performance

- Total Shareholder Return (TSR) of 2.6% and Net Asset Value (NAV) Total Return for the Trust of 6.6%, compared to the MSCI ACWI benchmark return of 12.0%
- The underperformance occurred in June, when the quoted equity holdings gave up the outperformance they had recorded versus the benchmark over the first five months of the year
- Since the period end our share price has risen to a new high of 553p (as of 20th July 2016)

## Narrow the discount

- A period-end discount of 11.4%, compared to 7.9% at the end of December, at a time of widening discounts for investment trusts in our peer group

## Dividend Progression

- Second interim dividend of 2.825p declared, bringing the total to 5.65p for the half year, up from 5.065p a year earlier

## Reduce Costs

- Remain on track to achieve target of an Ongoing Charge Ratio of 0.45% by end of 2016, one of the lowest in the Global investment trust sector; with expenses down by 30% to £7.7m versus the prior year

## Simplifying the corporate structure

- The Board now consists solely of non-executive directors, with independent boards for Alliance Trust Investments and Alliance Trust Savings
- Experienced new non-executive, Clare Dobie, appointed to the Board since the AGM

## Alliance Trust Investments

- Alliance Trust Investments (ATI) generated third-party net inflows of £25m, ending the period with assets under management (AUM) of £5.2bn
- Clear focus on costs and investment proposition which is accelerating ATI's progress towards profitability

## Alliance Trust Savings

- Assets under administration rose by over 40% and customer accounts rose by 31%, reflecting the positive impact of the acquisition of Stocktrade
- New corporate partnership account won during the period which will benefit the second half of 2016

-ENDS-

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## **Alliance Trust PLC Interim Report 2016**

Results for 6 months to 30 June 2016

### **Chairman's Statement**

Set out below is a brief summary of the progress we have made implementing the changes announced in October 2015. These are intended to enhance shareholder value and better position the Trust to deliver consistent outperformance in a cost effective manner. I also provide a brief overview of our investment performance over the first half of the year.

In the period we have:

- Implemented changes to the Board, so that it is entirely non-executive. A new Non-Executive Director, Clare Dobie, was appointed
- Signed an Investment Management Agreement with Alliance Trust Investments to manage our portfolio for a fee of 0.35% of net assets under management, with a target of outperforming the MSCI All Country World Index in Sterling (MSCI ACWI) by at least 1% a year over a three year rolling period

- Simplified our structure and appointed independent directors to our subsidiaries, Alliance Trust Investments and Alliance Trust Savings
- Focused the portfolio on global equities and reduced the number of non-core investments.

The first half of 2016 has been marked by significant volatility in markets, particularly around the time of the EU Referendum. The quoted equity part of the Trust's portfolio outperformed the MSCI ACWI for the five month period to the end of May. In June, and following the EU Referendum, this out-performance was reversed resulting in the equity portfolio returning 9.5% for the period against the benchmark's 12.0% return. The NAV was also impacted by a number of other items such as the value of debt and a pension scheme buy in transaction. The combination of these items generated the Trust's NAV Total Return of 6.6%, with a Total Shareholder Return (TSR) at 2.6%. Against this background it should be noted that since the change in our investment management team in September 2014, the quoted equity part of the Trust's portfolio has performed slightly ahead of the MSCI ACWI. In common with many of our peers, the Trust's share price discount to NAV widened at the end of the period. Since the period end, after the immediate EU Referendum volatility, the Company's share price reached a record high of 553p, with a NAV of 626.2p, at the close on 20 July.

The Trust's expenses have reduced by over 30%, falling to £7.7m from £11.1m in the comparable period last year.

The Trust paid an interim dividend of 2.825p per share on 30 June 2016 and will pay a second interim dividend of 2.825p on 30 September 2016 to shareholders on the register on 26 August 2016.

On 30 May, we announced that we had received an unsolicited approach from RIT Capital Partners PLC for a merger of the two companies. On 7 June, RIT Capital Partners withdrew its proposal. We told our shareholders at the time that we would consider any proposal as part of the Group strategic review that we had already initiated. This review is ongoing and includes a broad range of possible courses of action. We are making good progress and intend to report on the outcome of our review later in the year.

Lord Smith of Kelvin  
Chairman  
21 July 2016

## Company Performance

	30 June 2016	31 December 2015	30 June 2015
Share price	524.0p	517.0p	484.8p
Net Asset Value (NAV) per share	591.4p*	561.1p**	545.9p**
Discount to NAV	11.4%	7.9%	11.2%

\*Balance sheet value calculated with debt at fair value. \*\*Balance sheet value calculated with debt at par.

## Portfolio Performance

Contribution Analysis (%)	Average Weight	Total Return	Contribution to Total Return
Equities*	101.5	9.5	9.0
FX Contracts and Index Futures	N/A	N/A	-0.2
Other Investments	2.6	-23.0	-0.7
Non-core Investments	7.0	0.9	0.0
Cost of Gearing	-12.8	1.1	-0.1
Cash and Accruals	1.7	N/A	0.1
<b>Investment Portfolio Total</b>	<b>100.0</b>		<b>8.1</b>
Pension Fund Contribution**			-0.8
Fair Value Debt Adjustment**			-0.7
Buybacks			0.2
<b>NAV Total Return</b>			<b>6.6</b>
Management Expenses			-0.2
Effect of Discount			-4.0
Share Price Total Return			2.6
MSCI ACWI Total Return			12.0

\* Includes investments in Funds. \*\*Non-recurring.

Source: Alliance Trust and FactSet

Quoted Equity Portfolio Attribution (%)	Alliance Trust	MSCI All Country World Index	Sector Allocation Effect	Stock Selection Effect	Total Relative Effect
	Portfolio Return	Sector Return			
Equity Portfolio Attribution	9.5	12.0	-0.9	-1.6	-2.5

Source: Alliance Trust and FactSet

## Shareholder Return

As at 30 June 2016	6 months	1 year	3 years	5 years
Total Shareholder Return (TSR)	2.6%	10.9%	32.4%	54.2%
NAV Total Return	6.6%	10.9%	27.8%	46.1%
MSCI ACWI	12.0%	13.9%	37.4%	60.4%

## Company Expenses

	6 months to 30 June 2016	Year to 31 December 2015	6 months to 30 June 2015
Company Expenses	£7.7m	£24.0m	£11.1m

## Investment Management Report

Alliance Trust Investments' mandate is to focus on global quoted equities and progressively reduce the Trust's non-core investments.

### Summary

Global equity markets endured a volatile six month period between January and June 2016, yet delivered strong returns, with the MSCI ACWI in Sterling up 12.0%. Much of this positive return was due to the depreciation of Sterling over the period. Large-cap 'bond proxy' stocks and other low growth sectors such as utilities and telecommunications were the main drivers of the performance of the market.

The UK vote to exit the European Union was the key market driver in the last week of the six month period. While market reaction has thus far been confined to weakness in UK domestic and financial stocks, the risk of a global recession is a key concern heading into the second half of the year.

### Market Review

Global equity markets at the beginning of 2016 were very volatile. China was the key source of investor concern as pressure mounted on the world's second largest economy as it continues to transition away from investment-led growth to consumption-led growth. This was accompanied by a falling oil price and investor concern that central banks across the world were running out of options to battle low growth. The US Federal Reserve had hoped that the global economy would improve, allowing it to pursue its policy of normalising US interest rates following its first rate hike in eight years last December.

Market conditions improved from late February, as Chinese authorities decided to inject credit into the economy to support growth; the oil price recovered; and, the US Fed softened its expectations for interest rate rises over 2016 in the US. However, the end of June 2016 saw global equity markets sell off aggressively as the UK electorate voted to leave the EU, which has created risks to UK, European and global economic stability.

Following the UK's vote to leave the EU, Sterling fell dramatically, finishing the period at levels not seen since the 1980s. The Bank of England has now shifted from a bias towards increasing interest rates to a situation in which it may need to loosen monetary policy. Weak investment and consumption for the short, and possibly, medium-term are key risks for the UK economy, which will place further pressure on the currency.

### Quoted Equity Portfolio Performance

The Trust's quoted equity portfolio produced a return of 9.5% for the period against the benchmark's 12.0% return. Much of the under-performance over the period came during June as the portfolio was impacted by the dislocation of markets resulting from the EU Referendum.

The Trust's best performers came from companies associated with cloud computing. Equinix, a provider of internet related services, is a key beneficiary of the acceleration of cloud computing adoption across the enterprise technology landscape. Its co-location datacentres have become a key hub in the infrastructure of cloud technology. Accenture, a leading IT service and consulting firm, has also performed well, as it benefits from the need for large corporations to integrate the benefits of cloud computing into its technology infrastructure.

The financial sector was a source of underperformance for the Trust as two core holdings – Prudential and Legal & General – performed poorly over the period. Both companies have been hit by fears around the implications of the EU Referendum, particularly the risk that higher interest rates and bond yields in the UK are now many years away. The fund is overweight the UK versus the MSCI ACWI (16.7% compared to 6.4%), which also pressured performance over June and in the first six months of the year.

Across the materials, telecoms and utilities sectors the growth bias of the Trust's process was a headwind during the first half of the year. With bond yields currently reaching fresh lows and Chinese authorities pumping large amounts of credit into their economy, the market rewarded companies with the lowest valuations, rather than those with the strongest growth and fundamental tailwinds.

## Non-core Investments

During the period it was concluded that, given the prevailing weakness in oil and gas prices, it was not an appropriate time to complete the sale of the Trust's mineral rights assets. The Trust will continue to benefit from the revenue generated by these assets and the possibility of a sale will be reassessed when energy prices are more favourable. The Trust's private equity investments have increased in value since the year end and provided a small positive contribution to investment returns over the first half of 2016.

## EU Referendum Actions

In the period ahead of, and immediately after, the EU Referendum two hedging positions intended to de-risk the equity portfolio from market volatility were implemented. Given the risk to the value of Sterling a three month currency hedge was taken out in March. This currency position mitigated the equity portfolio's relative overweight to Sterling compared to the US Dollar, equivalent to 4.8% of the portfolio. As Sterling depreciated over the post EU Referendum period this position contributed positively to the Trust's overall performance. This hedge has been rolled over for a further three months.

The second hedge was a short position on the FTSE 100 future put in place to protect the Trust's capital in the event of an extreme market fall-out. The decision was taken to hedge 5% of the portfolio's UK overweight position relative to the MSCI ACWI. When combined with the currency hedge, this neutralised the Trust's overweight position relative to the benchmark. The future position, a protection against a worst case outcome, was entered as soon as the leave vote was confirmed on 24 June and was closed on 1 July when the risk of a disorderly market collapse had abated. Fortunately, the market regained stability relatively swiftly. This protection did incur a cost, and the net contribution of these two measures on the Trust's performance was -0.2%.

Aside from the hedges, the Trust's gearing was reduced by £90m while still maintaining an equity position of at least 100% of net assets throughout the period.

## Investment Outlook

The economic outlook for the second half of 2016 appears unclear after the EU Referendum vote. The UK economy appears set for at least a mild recession as investment and consumption freeze up in the midst of so much uncertainty. The question remains as to whether this will spill over into Europe and result in a slowdown across the global economy. The unprecedented nature of the current situation makes forecasting the impact particularly challenging.

Political risks abound; from the US presidential election in November to other important elections and referendums in China, Germany, France and Italy over the next 18 months. With global economic growth already fragile, political uncertainty is sure to be a headwind for equity markets. In this uncertain environment we believe a defensive portfolio that is invested in companies that are growing through structural change – rather than those that are dependent on cyclical tailwinds – will be key to investment performance.

Alliance Trust Investments  
Investment Manager

**6 Month Equity Portfolio Sector Attribution to End June 2016**  
**Index: MSCI ACWI in Sterling. Gross value of quoted equities in portfolio.**

Equity Portfolio Attribution (%)	Alliance Trust			MSCI All Country World Index		Sector Allocation Effect	Stock Selection Effect	Total Relative Effect
	Average Weight	Portfolio Return	Contribution to Equity Return	Average Weight	Sector Return			
Consumer Discretionary	8.6	0.9	0.0	12.7	5.9	0.2	-0.4	-0.2
Consumer Staples	8.4	20.5	1.8	10.8	20.0	-0.2	0.0	-0.2
Energy	4.9	29.1	1.4	6.5	28.7	-0.2	0.0	-0.2
Financials	23.3	1.9	0.4	20.6	3.3	-0.2	-0.3	-0.5
Health Care	17.4	10.4	1.7	12.3	8.9	-0.2	0.1	-0.1
Industrials	6.9	16.5	1.0	10.4	14.8	-0.1	0.2	0.1
Information Technology	19.2	10.6	2.1	14.6	10.1	-0.1	0.1	0.0
Materials	4.3	11.4	0.5	4.7	20.9	-0.1	-0.4	-0.5
Telecommunication Services	3.3	6.2	0.2	4.0	21.1	0.0	-0.5	-0.5
Utilities	3.7	14.1	0.4	3.4	25.3	0.0	-0.4	-0.4
<b>Total</b>	<b>100.0</b>	<b>9.5</b>	<b>9.5</b>	<b>100.0</b>	<b>12.0</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-2.5</b>

Source: Alliance Trust and FactSet

## Subsidiaries

Our subsidiary businesses, Alliance Trust Investments and Alliance Trust Savings, are now operating as standalone businesses and both have seen growth and an increasing level of profitability during the period.

### Alliance Trust Investments

During the period, a number of developments have taken place. These demonstrate the continued positive growth in Alliance Trust Investments which:

- increased its assets under management from £2.1bn on 31 December 2015 to £5.2bn at the end of June 2016
- had net third party inflows in the period of £25m

The Alliance Trust Investments' range of Sustainable Future equity and fixed income funds (9 OEICs and 1 SICAV) had a challenging first half of 2016. At the end of May half of these funds were above the median for 2016 versus their peers however by June only one fund was above median. The principal impact came in the last week of June following the UK's vote to leave the EU. The impact on Sterling hit the UK funds particularly hard, but the effect of the increased economic uncertainty it precipitated was felt across the range. The longer-term performance remains strong across the range over 3 and 5 years. In addition the Monthly Income Bond Fund continued to deliver an annual income yield of close to 6%.

Alliance Trust Investments is seeing continued interest from prospective wholesale and institutional clients in its sustainable investment expertise. A number of initiatives continued to take place during the period to reduce costs and focus on the clarity of its investment proposition. These changes are expected to accelerate its path to profitability.

The Company has made a further investment of £2m in the period. This further investment has not yet been recognised in the fair value of the business and this remains as stated in our 2015 Annual Report and Accounts as £19.8m. The Directors will reassess the fair value in light of the continuing development of the business in the second half of the year.

## Alliance Trust Savings

During the first half of 2016, Alliance Trust Savings has focused on three areas:

- the completion of the acquisition of Stocktrade
- developing the governance and management of the standalone business
- continuing the development of an enhanced operating platform for the business

Good progress was made in all three areas, with the Stocktrade acquisition completed at the end of April, the new Alliance Trust Savings Board and Executive Committee in place and the new platform technology launched for new business in the intermediary business channel.

Assets under administration rose from £8.5bn at 31 December 2015 to £12bn at 30 June 2016, a rise of 40%. In the same period the net increase in customer accounts is over 26,000 (31%). This growth was from the completion of the Stocktrade acquisition and further organic growth. It has won a new corporate partnership account which will bring additional business in the second half of 2016.

Alliance Trust Savings has made good progress towards delivering profitability in 2016. Benefiting from the increased scale from the Stocktrade acquisition, it achieved a small profit for the first half of the year.

It is expected that customer numbers will continue to increase, attracted by:

- its flat fee structure
- award winning customer service
- differentiated proposition, including banking
- improved functionality with the new technology

The Company has made a further investment of £15m in the period. This further investment has not yet been recognised in the fair value of the business and this remains as stated in our 2015 Annual Report and Accounts as £54.0m. The Directors will reassess the fair value in light of the continuing development of the business, embedding Stocktrade and leveraging the enhanced operating platform in the second half of the year.

## Company Portfolio Review

### Quoted equity holdings as at 30 June 2016

Stock	Country of listing	Sector	% of equity portfolio	Value £m
Visa	United States	Information Technology	3.1	95.0
Pfizer	United States	Health Care	3.1	93.8
Accenture	United States	Information Technology	2.9	89.6
CVS Health	United States	Consumer Staples	2.5	75.7
Amgen	United States	Health Care	2.5	75.7
Reckitt Benckiser	United Kingdom	Consumer Staples	2.5	75.2
TJX	United States	Consumer Discretionary	2.4	72.7
National Grid	United Kingdom	Utilities	2.4	72.3
American Tower	United States	Financials	2.4	72.1
Equinix	United States	Financials	2.3	70.8
Macquarie Infrastructure	United States	Industrials	2.2	66.9
CSL	Australia	Health Care	2.2	66.3
Daikin Industries	Japan	Industrials	2.1	64.8
Blackstone	United States	Financials	2.0	62.2
Tencent	Hong Kong	Information Technology	2.0	60.9
Danaher	United States	Industrials	2.0	60.2
Roche	Switzerland	Health Care	1.9	58.6
Toronto-Dominion Bank	Canada	Financials	1.9	57.7
Wells Fargo	United States	Financials	1.8	55.3
SS&C Technologies	United States	Information Technology	1.8	54.2



NASDAQ OMX	United States	Financials	1.8	53.9
Prudential	United Kingdom	Financials	1.8	53.8
Walt Disney	United States	Consumer Discretionary	1.7	52.4
WPP	United Kingdom	Consumer Discretionary	1.7	52.2
ARM	United Kingdom	Information Technology	1.7	51.8
Ecolab	United States	Materials	1.7	50.4
Vodafone	United Kingdom	Telecommunication Services	1.6	49.4
Swedbank	Sweden	Financials	1.6	49.3
Total	France	Energy	1.6	48.8
Statoil	Norway	Energy	1.6	48.5
Thermo Fisher Scientific	United States	Health Care	1.6	48.4
Linear Technology	United States	Information Technology	1.6	48.2
Activision Blizzard	United States	Information Technology	1.5	47.3
Enterprise Products Partners	United States	Energy	1.5	47.2
Deutsche Telekom	Germany	Telecommunication Services	1.5	45.4
Acuity Brands	United States	Industrials	1.5	44.9
Johnson Matthey	United Kingdom	Materials	1.4	44.0
Microsoft	United States	Information Technology	1.4	42.6
Cadence Design Systems	United States	Information Technology	1.4	42.4
Alphabet	United States	Information Technology	1.4	42.2
Novo Nordisk	Denmark	Health Care	1.4	41.9
Continental	Germany	Consumer Discretionary	1.4	41.7
ORIX	Japan	Financials	1.3	40.1
GlaxoSmithKline	United Kingdom	Health Care	1.3	39.0
AmBev	Brazil	Consumer Staples	1.3	38.8
Henkel	Germany	Consumer Staples	1.3	38.3
Unilever	United Kingdom	Consumer Staples	1.2	38.1
AmerisourceBergen	United States	Health Care	1.2	37.4
DNB	Norway	Financials	1.2	36.9
Dentsu	Japan	Consumer Discretionary	1.2	36.5
SAP	Germany	Information Technology	1.2	36.0
Mitsui Fudosan	Japan	Financials	1.2	35.9
Norsk Hydro	Norway	Materials	1.1	35.1
Schlumberger	United States	Energy	1.0	31.3
Legal & General	United Kingdom	Financials	1.0	30.5
Schneider Electric	France	Industrials	1.0	29.2
Bangkok Bank	Thailand	Financials	0.9	28.4
Roper Technologies	United States	Industrials	0.9	28.2
First Republic Bank San Francisco	United States	Financials	0.8	24.1
ENN Energy	Hong Kong	Utilities	0.6	18.9
Melrose Industries	United Kingdom	Industrials	0.2	5.0
			<b>Total value</b>	<b>3,054.4</b>

### Funds as at 30 June 2016

Alliance Trust Investment Funds	Country of registration	Value £m
Sustainable Future Pan-European Equity Fund	Luxembourg	62.8
Sustainable Future Cautious Managed Fund	United Kingdom	11.0
Sustainable Future Defensive Managed Fund	United Kingdom	11.0
		<b>Total value 84.8</b>

### Other investments as at 30 June 2016

<b>Investment</b>	<b>Region</b>	<b>Value £m</b>
Private Equity	United Kingdom/Europe/Asia	115.1
Mineral Rights	North America	14.8
Alliance Trust Savings	United Kingdom	54.0
Alliance Trust Investments	United Kingdom	19.8
Indirect Property	United Kingdom	9.4
Other	United Kingdom	2.1
		<b>Total value 215.2</b>

### Total investments as at 30 June 2016

<b>Investment</b>	<b>Value £m</b>
Quoted equities	3,054.4
Funds	84.8
Other investments	215.2
<b>Total value 3,354.4</b>	

Source – Alliance Trust

A full portfolio listing, similar to that displayed above, is available on a monthly basis on our website at <http://investor.alliancetrust.co.uk/ati/investorrelations/list-of-stock-holdings.htm>

### Risks and Uncertainties

The Company invests in both quoted and unquoted securities, its subsidiary businesses, other asset classes and financial instruments in order to achieve its investment objectives. Its principal risks and uncertainties are therefore:

- Prudential and Market
- Operational
- Strategic
- Regulatory & Conduct

The Company's Operational and Regulatory & Conduct risks are now managed by Alliance Trust Investments.

These risks, and the way in which they are managed, are described in more detail within the Risk section on pages 18 and 19 of the Company's Annual Report and Accounts for the year ended 31 December 2015, which is available on the Company's website at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk).

Although the outcome of the referendum on the UK's membership of the EU may provide additional risk from a market perspective we do not expect our principal risks to change for the remainder of the financial year.

### Related Party Transactions

The nature of related party transactions has not changed significantly from those described in the Company's Report and Accounts for the year ended 31 December 2015. With effect from 1 January 2016 staff contracts have been transferred to Alliance Trust Investments and Alliance Trust Savings. Alliance Trust Investments was appointed alternative investment fund manager with responsibility for portfolio investment for the Trust on 3 February 2016. In the period the Company subscribed to additional capital in Alliance Trust Savings and Alliance Trust Investments as disclosed on page 6. There were no transactions with related parties during the six months ended 30 June 2016 which have a material effect on the results or the financial position of the Company or of the Group.

## Defined Benefit Pension Scheme

In May 2016 the Board decided to inject £19.2m into its closed defined benefit pension scheme to fund the purchase of an annuity policy with Legal & General to match the scheme's liabilities to its members. The annuity was purchased by the Trustees of the Alliance Trust Companies' Pension Scheme on 31 May 2016, prior to the fall in bond yields that followed the EU referendum vote. This has removed volatility and risk from the Company balance sheet but has impacted Total Return in the period by -0.8%.

## Buybacks and Discount

In the first half of 2016 the sector average discount widened as market and economic concerns undermined investor confidence. The Company discount closed the period at 11.4% compared to 7.9% at 31 December 2015.

During the period the Company bought back and cancelled 11,365,096 shares. This represents 2.2% of the Company's share capital. On 7 June, the Company announced that it had suspended its share buybacks until it had concluded its strategic review. No shares are held in Treasury. The weighted average discount of these buybacks was 10.2%.

## Going Concern Statement

The factors impacting on Going Concern are set out in detail on page 33 of the Company's Annual Report and Accounts for the year ended 31 December 2015.

As at 30 June 2016 there have been no significant changes to these factors. The Directors, who have reviewed budgets, forecasts and sensitivities, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe it is appropriate to continue to adopt the going concern basis for preparing the financial statements.

## Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
- The interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

**Lord Smith of Kelvin**  
**Chairman**  
**21 July 2016**

## Financial Statements

### Consolidated income statement (unaudited) for the period ended 30 June 2016

£000	Note	6 months to 30 June 2016			6 months to 30 June 2015			Year to 31 Dec 2015 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Revenue</b>										
Income	3	50,779	-	50,779	63,378	-	63,378	114,386	-	114,386
Profit on fair value designated investments		-	190,968	190,968	-	375	375	-	85,137	85,137
Profit on investment property		-	-	-	-	-	-	-	720	720
Loss on fair value of debt		-	(21,670)	(21,670)	-	-	-	-	-	-
<b>Total Revenue</b>		<b>50,779</b>	<b>169,298</b>	<b>220,077</b>	63,378	375	63,753	114,386	85,857	200,243
Administrative expenses		(3,866)	(3,825)	(7,691)	(21,508)	(709)	(22,217)	(44,460)	(1,585)	(46,045)
Finance costs	4	(1,381)	(2,762)	(4,143)	(1,964)	(2,465)	(4,429)	(3,972)	(5,281)	(9,253)
Gain on revaluation of office premises		-	-	-	-	-	-	-	175	175
Foreign exchange gains/(losses)		-	4,691	4,691	-	(460)	(460)	-	(84)	(84)
<b>Profit/(Loss) before tax</b>		<b>45,532</b>	<b>167,402</b>	<b>212,934</b>	39,906	(3,259)	36,647	65,954	79,082	145,036
Tax	5	(3,211)	-	(3,211)	(3,444)	-	(3,444)	(5,362)	-	(5,362)
<b>Profit/(Loss) for the period/year</b>		<b>42,321</b>	<b>167,402</b>	<b>209,723</b>	36,462	(3,259)	33,203	60,592	79,082	139,674

All profit/(loss) for the period/year is attributable to equity holders of the parent.

### Earnings per share attributable to equity holders of the parent

Basic (p per share)	7	8.20	32.42	40.62	6.61	(0.59)	6.02	11.05	14.42	25.47
Diluted (p per share)	7	8.18	32.37	40.55	6.60	(0.59)	6.01	11.03	14.39	25.42

### Consolidated statement of comprehensive income (unaudited)

£000	Note	6 months to 30 June 2016			6 months to 30 June 2015			Year to 31 Dec 2015 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Profit/(Loss) for the period/year		42,321	167,402	209,723	36,462	(3,259)	33,203	60,592	79,082	139,674
Items that will not be reclassified subsequently to profit or loss:										
Defined benefit plan net actuarial (loss)/gain	8	-	(26,112)	(26,112)	-	4,492	4,492	-	(22)	(22)
Retirement benefit obligations deferred tax		-	-	-	-	-	-	-	(96)	(96)
Other comprehensive (loss)/gain		-	(26,112)	(26,112)	-	4,492	4,492	-	(118)	(118)
<b>Total comprehensive income for the period/year</b>		<b>42,321</b>	<b>141,290</b>	<b>183,611</b>	36,462	1,233	37,695	60,592	78,964	139,556

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

### Consolidated statement of changes in equity (unaudited) for the period ended 30 June 2016

£000	6 months to 30 June 2016		6 months to 30 June 2015		Year to 31 Dec 2015 (audited)	
<b>Called up share capital</b>						
At 1 January		13,160		13,835		13,835

Own shares purchased and cancelled in the period/year	<b>(285)</b>	(27)	(675)
At 30 June / 31 December	<b>12,875</b>	13,808	13,160

#### Capital reserves

At 1 January	<b>2,169,142</b>	2,233,915	2,233,915
Profit/(Loss) for the period/year	<b>167,402</b>	(3,259)	79,082
Defined benefit plan actuarial (loss)/gain	<b>(26,112)</b>	4,492	(118)
Own shares purchased and cancelled in the period/year	<b>(56,171)</b>	(5,110)	(136,479)
Share based payments	<b>223</b>	1,017	521
Dividends paid	-	-	(7,779)
At 30 June / 31 December	<b>2,254,484</b>	2,231,055	2,169,142

#### Merger reserve

At 1 January, 30 June and 31 December	<b>645,335</b>	645,335	645,335
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#### Capital redemption reserve

At 1 January	<b>5,838</b>	5,163	5,163
Own shares purchased and cancelled in the period/year	<b>285</b>	27	675
At 30 June / 31 December	<b>6,123</b>	5,190	5,838

#### Revenue reserve

At 1 January	<b>112,565</b>	120,916	120,916
Profit for the period/year	<b>42,321</b>	36,462	60,592
Dividends	<b>(32,001)</b>	(41,552)	(68,982)
Unclaimed dividends (redistributed)/returned	<b>(2)</b>	-	39
At 30 June / 31 December	<b>122,883</b>	115,826	112,565

#### Total equity

At 1 January	<b>2,946,040</b>	3,019,164	3,019,164
At 30 June / 31 December	<b>3,041,700</b>	3,011,214	2,946,040

#### Consolidated balance sheet (unaudited) as at 30 June 2016

£000	Note	30 June 2016	30 June 2015	31 Dec 2015 (audited)
<b>Non-current assets</b>				
Investments held at fair value	10	<b>3,343,938</b>	3,408,527	3,307,397
Investment property held at fair value		-	4,830	-
Property, plant and equipment:				
Office premises		<b>4,540</b>	4,365	4,540
Other fixed assets		<b>29</b>	352	299
Intangible assets		-	1,012	917
Pension scheme surplus	8	<b>235</b>	11,299	6,882
Deferred tax asset		<b>1,238</b>	1,039	1,238

		<b>3,349,980</b>	3,431,424	3,321,273
<b>Current assets</b>				
Outstanding settlements and other receivables		<b>43,366</b>	23,282	12,125
Recoverable overseas tax		<b>2,754</b>	1,244	1,483
Cash and cash equivalents		<b>42,817</b>	33,505	25,153
		<b>88,937</b>	58,031	38,761
<b>Total assets</b>		<b>3,438,917</b>	3,489,455	3,360,034
<b>Current liabilities</b>				
Outstanding settlements and other payables		<b>(70,222)</b>	(10,265)	(17,570)
Tax payable		<b>(3,991)</b>	(3,991)	(3,991)
Bank loans	13	<b>(200,000)</b>	(362,000)	(290,000)
		<b>(274,213)</b>	(376,256)	(311,561)
<b>Total assets less current liabilities</b>		<b>3,164,704</b>	3,113,199	3,048,473
<b>Non-current liabilities</b>				
Unsecured fixed rate loan notes		<b>(121,670)</b>	(100,000)	(100,000)
Deferred tax liability		<b>(1,238)</b>	(1,039)	(1,238)
Amounts payable under long term Investment Incentive Plan		<b>(96)</b>	(946)	(1,195)
		<b>(123,004)</b>	(101,985)	(102,433)
<b>Net assets</b>		<b>3,041,700</b>	3,011,214	2,946,040
<b>Equity</b>				
Share capital	14	<b>12,875</b>	13,808	13,160
Capital reserve		<b>2,254,484</b>	2,231,055	2,169,142
Merger reserve		<b>645,335</b>	645,335	645,335
Capital redemption reserve		<b>6,123</b>	5,190	5,838
Revenue reserve		<b>122,883</b>	115,826	112,565
<b>Total Equity</b>		<b>3,041,700</b>	3,011,214	2,946,040

All net assets are attributable to the equity holders of the parent.

#### Net asset value per ordinary share attributable to equity holders of the parent

Basic (£)	9	<b>£5.91</b>	£5.46	£5.61
Diluted (£)	9	<b>£5.91</b>	£5.45	£5.60

#### Consolidated cash flow (unaudited) for the period ended 30 June 2016

<b>£000</b>		<b>6 months to 30 June 2016</b>	<b>6 months to 30 June 2015</b>	<b>Year to 31 Dec 2015 (audited)</b>
<b>Cash flows from operating activities</b>				
Profit before tax		<b>212,934</b>	36,647	145,036
Adjustments for:				
Gains on investments		<b>(190,968)</b>	(375)	(85,857)

Loss on fair value of debt	21,670	-	-
Foreign exchange (gain)/loss	(4,691)	460	84
Depreciation	(122)	118	193
Amortisation of intangibles	-	165	329
Gain on revaluation of offices premises	-	-	(175)
Share based payment expense	223	1,017	521
Interest	4,143	4,429	9,253
Movement in pension scheme surplus	(19,465)	(1,610)	(1,707)
<b>Operating cash flows before movements in working capital</b>	<b>23,724</b>	<b>40,851</b>	<b>67,677</b>
(Increase)/Decrease in receivables	(4,720)	(7,796)	3,367
(Decrease)/Increase in payables	(7,771)	3,311	10,067
<b>Net cash inflow from operating activities before income taxes</b>	<b>11,233</b>	<b>36,366</b>	<b>81,111</b>
Taxes paid	(4,482)	(3,693)	(5,948)
<b>Net cash inflow from operating activities</b>	<b>6,751</b>	<b>32,673</b>	<b>75,163</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal at fair value of investments through profit and loss	586,168	691,897	1,325,859
Purchase of investments at fair value through profit and loss	(398,933)	(765,105)	(1,206,841)
Disposal/(Purchase) of plant and equipment	389	(3)	(25)
Disposal/(Purchase) of other intangible assets	920	(142)	(214)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>188,544</b>	<b>(73,353)</b>	<b>118,779</b>
<b>Cash flows from financing activities</b>			
Dividends paid - Equity	(32,001)	(41,552)	(76,761)
Unclaimed dividends (redistributed)/returned	(2)	-	39
Purchase of own shares	(56,171)	(5,110)	(136,479)
Bank loans and unsecured fixed rate loan notes raised	-	82,000	10,000
Repayment of borrowing	(90,000)	-	-
Interest payable	(4,148)	(4,795)	(9,606)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(182,322)</b>	<b>30,543</b>	<b>(212,807)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,973</b>	<b>(10,137)</b>	<b>(18,865)</b>
<b>Cash and cash equivalents at beginning of period/year</b>	<b>25,153</b>	<b>44,102</b>	<b>44,102</b>
<b>Effect of foreign exchange rate changes</b>	<b>4,691</b>	<b>(460)</b>	<b>(84)</b>
<b>Cash and cash equivalents at the end of period/year</b>	<b>42,817</b>	<b>33,505</b>	<b>25,153</b>

## 1 General Information

The information contained in this report for the period ended 30 June 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2015 has been delivered to the Registrar of Companies. The auditor's report on those financial statements was prepared under s495 and s496 of the Companies Act 2006. The report was not qualified, did not contain an emphasis of matter paragraph and did not contain statements under section 498(2) or (3) of the Companies Act.

The interim results are unaudited. They should not be taken as a guide to the full year and do not constitute the statutory accounts.

## 2 Accounting Policies

### Basis of preparation

The annual financial statements were prepared using accounting policies consistent with International Financial Reporting Standards

(IFRS) as adopted by the EU. The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU.

### Going concern

The Directors have a reasonable expectation that the Company and Group have sufficient resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

### Segmental reporting

The Group has identified a single operating segment, the investment trust, which aims to maximise shareholders returns. As such no segmental information has been included in these financial statements.

### Application of accounting policies

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 with the exception of the following changes that have been made to the basis of accounting estimates:

- From 1 January 2016 the Company attributes indirect expenditure one third to revenue and two thirds to capital costs. In prior periods the Company allocated all indirect expenditure against revenue profits save that two thirds of the costs of bank indebtedness, an indirect cost, were allocated against capital profits save for the costs associated with seeding the fixed income bond fund which was all charged to revenue. This is consistent with the Statement of Recommended Practice ('SORP') "Financial Statements of Investment Trust Companies and Venture Capital Trusts" for investment trusts issued by the Association of Investment Companies ('AIC') in November 2014 which states that either a proportion of all indirect expenditure or no indirect expenditure is allocated against capital profits.
- From the 1 June 2016 the unsecured fixed rate loan notes are recognised at fair value. In prior periods they have been included at par value.

### Group Consolidation

The Company qualifies as an investment entity under IFRS 10 meeting all the key characteristics and as such is no longer required to consolidate its subsidiaries on a line by line basis, but instead recognise them as investments at fair value through the income statement.

The 'Consolidated Group', represents the results of the Company ('Alliance Trust PLC') and Alliance Trust Services Limited ('ATSL'). ATSL is required to be consolidated as it provides services that relate directly to the investment activities of the Company however it is not itself an investment entity.

The investment mandate of the Company was awarded to Alliance Trust Investments ('ATI') in February. The primary objective of ATI however remains to grow its third party asset management business, with the Company being one client and as such we consider it would not be appropriate to consolidate ATI as at 30 June 2016.

All other subsidiaries within the Group are valued at fair value through the income statement as they do not provide services that relate directly to the investment activities of the Company or they are themselves regarded as an investment entity.

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.

### 3 Revenue

£000	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
Deposit interest	3	5	17
Dividend income*	49,950	50,076	88,247
Mineral rights income	826	1,928	3,311
Property rental income	-	230	565
Recharged costs**	-	11,139	22,027
Other income	-	-	219
<b>Total revenue</b>	<b>50,779</b>	<b>63,378</b>	<b>114,386</b>

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



\*\* ATSL acted as a paymaster company and as such staff costs and all indirect costs for the two trading business, Alliance Trust Savings Limited ('ATS') and Alliance Trust Investments Limited ('ATI'), were included within income and expenses in the Consolidated Income Statement as these are recharged by ATSL in the results to 31 December 2015 and to 30 June 2015. From 1 January 2016 staff costs and indirect costs were paid directly by the two trading businesses and as such were not recharged through ATSL.

#### 4 Finance Costs

£000	6 months to 30 June 2016			6 months to 30 June 2015			Year to 31 Dec 2015		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Bank loans and unsecured fixed rate loan notes	1,381	2,762	4,143	1,964	2,465	4,429	3,972	5,281	9,253
Total finance costs	1,381	2,762	4,143	1,964	2,465	4,429	3,972	5,281	9,253

Finance costs include interest of £2.2m (£1.7m at 30 June 2015 and £4.3m at 31 December 2015) on the £100m 4.28% unsecured fixed rate loan notes which were drawn down in July 2014 for 15 years.

#### 5 Taxation

UK corporation tax for the period to 30 June 2016 is charged at 20.0% (20.3% for the period to 30 June 2015) of the estimated taxable profits for the period. A reduction in the main rate of UK corporation tax to 20.0% was substantively enacted in April 2016. Taxation levied by other jurisdictions is calculated at the rates prevailing in those jurisdictions, such taxation mainly comprises withholding taxes levied on the investment returns generated on foreign investments such as overseas dividend income.

#### 6 Dividends

£000	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
Fourth interim dividend for the year ended 31 December 2014 of 2.4585p per share	-	13,555*	13,555*
First interim dividend for the year ended 31 December 2015 of 2.5325p per share	-	13,961	13,962
Second interim dividend for the year ended 31 December 2015 of 2.5325p per share	-	-	13,965
Third interim dividend for the year ended 31 December 2015 of 2.5325p per share	-	-	13,464
Fourth interim dividend for the year ended 31 December 2015 of 3.3725p per share	17,473*	-	-
First interim dividend for the year ended 31 December 2016 of 2.825p per share	14,528	-	-
	32,001	27,516	54,946
Special dividend for the year ended 31 December 2014 of 2.546p per share	-	14,036*	14,036*
Special dividend for the year ended 31 December 2015 of 1.463p per share	-	-	7,779
	32,001	41,552	76,761

\*Dividends for the year ended 31 December 2015 have been adjusted to reflect share buybacks and changes in shares held by the Trustee of the Employee Benefit Trust.

#### 7 Earnings Per Share

##### From continuing operations

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

£000	6 months to 30 June 2016			6 months to 30 June 2015			Year to 31 Dec 2015		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Ordinary shares</b>									
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	42,321	167,402	209,723	36,462	(3,259)	33,203	60,592	79,082	139,674
<b>Number of shares</b>									
Weighted average number of ordinary shares for the purposes of basic earnings per share		516,332,453			551,532,534			548,480,531	
Weighted average number of ordinary shares for the purposes of diluted earnings		517,100,606			552,517,817			549,465,141	

per share

The weighted average number of ordinary shares is arrived at by excluding 698,062 (886,173 at 30 June 2015 and 886,173 at 31 December 2015) ordinary shares acquired by the Trustee of the Employee Benefit Trust with funds provided by the Company.

IAS 33.41 requires that shares should only be treated as dilutive if they decrease earnings per share or increase the loss per share. The earnings per share figures on the income statement reflect this.

## 8 Pension Schemes

The Group sponsors two pension arrangements.

The Alliance Trust Companies' Pension Fund ('the Scheme') is a funded defined benefit pension scheme which closed to future accrual on 2 April 2011. In November 2015, following the announcement of changes made to the management of Alliance Trust PLC, the Trustees requested that Alliance Trust PLC consider funding the Scheme to allow them to secure the benefits of the members with an insurance company. The Board of Alliance Trust PLC, after a tender exercise had been carried out by the Trustees, approved in May 2016 additional funding to allow the Trustees to enter into an agreement with Legal and General Assurance Society Limited for a policy to secure all of the benefits of the members. The Trustees entered into such an Agreement effective 31 May 2016.

Employees are entitled to receive contributions into their own Self Invested Personal Pension ('SIPP') provided by ATS.

### Defined Benefit Scheme

The net actuarial loss made in the period and recognised in the Consolidated Statement of Comprehensive Income was £26,112,000 (30 June 2015 net actuarial gain of £4,492,000 and 31 December 2015 net actuarial loss of £22,000) calculated by a qualified independent actuary.

Certain actuarial assumptions have been used to arrive at the retirement benefit scheme surplus of £0.2m as at 30 June 2016 (30 June 2015 surplus of £11.3m and 31 December 2015 surplus of £6.9m). The change in the period is due to the purchase of the bulk annuity policy with Legal and General, which means the assets now match the liabilities of the Scheme, with the exception of the amount held in the bank account. The actuarial assumptions are set out in the following table:

	30 June 2016	30 June 2015	31 Dec 2015
	% per annum	% per annum	% per annum
Retail Price Index Inflation	3.30	3.15	3.50
Consumer Price Index Inflation	2.40	2.25	2.60
Rate of discount	3.25	3.40	3.80
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a)	3.20	3.05	3.35
Allowance for revaluation of deferred pensions of CPI (subject to a maximum increase of 5% p.a)	2.40	2.25	2.20

## 9 Net Asset Value Per Ordinary Share

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

	30 June 2016	30 June 2015	31 Dec 2015
Equity shareholder funds (£000)	3,041,700	3,011,214	2,946,040
Number of shares at period end - Basic	514,277,739	551,447,973	525,454,724
Number of shares at period end - Diluted	514,975,801	552,334,146	526,340,897

The number of ordinary shares has been reduced by 698,062 (886,173 at 30 June 2015 and 886,173 at 31 December 2015) ordinary shares held by the Trustee of the Employee Benefit Trust in order to arrive at the Basic figures above.

## 10 Hierarchical valuation of financial instruments

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

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

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

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

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

The following table analyses the fair value measurements for the Group's assets and liabilities measured by the level in the fair value hierarchy in which the fair value measurement is categorised at 30 June 2016. All fair value measurements disclosed are recurring fair value measurements.

Group valuation hierarchy fair value through profit and loss

£000	As at 30 June 2016			Total
	Level 1	Level 2	Level 3	
Listed investments	3,124,036	-	-	3,124,036
Foreign exchange contracts	-	4,690	-	4,690
<b>Unlisted investments</b>				
Private Equity	-	-	124,500	124,500
Alliance Trust Savings	-	-	54,000	54,000
Alliance Trust Investments	-	-	19,800	19,800
Alliance Trust Finance	-	-	720	720
Mineral rights	-	-	14,778	14,778
Other	-	-	1,414	1,414
	3,124,036	4,690	215,212	3,343,938

£000	As at 30 June 2015			Total
	Level 1	Level 2	Level 3	
Listed investments	3,176,679	-	-	3,176,679
Foreign exchange contracts	-	(5)	-	(5)
<b>Unlisted investments</b>				
Private Equity	-	-	132,898	132,898
Alliance Trust Savings	-	-	31,573	31,573
Alliance Trust Investments	-	-	24,269	24,269
Alliance Trust Finance	-	-	8,871	8,871
Mineral rights	-	-	33,087	33,087
Other	-	-	1,155	1,155
	3,176,679	(5)	231,853	3,408,527

£000	As at 31 Dec 2015			Total
	Level 1	Level 2	Level 3	
Listed investments	3,088,881	-	-	3,088,881
<b>Unlisted investments</b>				
Private Equity	-	-	125,254	125,254
Alliance Trust Savings	-	-	54,000	54,000
Alliance Trust Investments	-	-	19,800	19,800
Alliance Trust Finance	-	-	720	720
Mineral rights	-	-	17,535	17,535
Other	-	-	1,207	1,207
	3,088,881	-	218,516	3,307,397

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

#### Fair Value Assets in Level 1

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

#### Fair Value Assets in Level 2

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

minimal reliance on entity specific estimates.

### Fair Value Assets in Level 3

Level 3, excluding the valuations of the subsidiaries, are reviewed at least annually by the Valuation Committee who are assigned responsibility by the Board of Alliance Trust PLC. The valuations of the subsidiaries are approved at least annually by the Audit Committee and then recommended to the Valuation Committee. The Valuation Committee considers the appropriateness of the valuation models and inputs used in accordance with the Group's valuation policy. The Valuation Committee will determine the appropriateness of any valuation of the underlying assets.

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

£000	Group		
	June 16	June 15	Dec 15
Balance at 1 January	218,516	232,531	232,531
Net loss from financial instruments at fair value through profit or loss	(15,043)	(2,390)	(16,556)
Purchases at cost	17,817	9,519	42,908
Sales proceeds	(9,187)	(10,085)	(38,175)
Realised gain/(loss) on sale	3,109	2,278	(2,192)
Balance at 30 June / 31 December	215,212	231,853	218,516

Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £168.0m (£170.6m at 30 June 2015 and £173.0m at 31 December 2015) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Board. This includes ATS at £54.0m (£31.6m at 30 June 2015 and £54.0m at 31 December 2015), ATI at £19.8m (£24.3m at 30 June 2015 and £19.8m at 31 December 2015) and ATF £0.7m (£8.9m at 30 June 2015 and £0.7m at 31 December 2015). This represents the Directors' view of the amount for which the subsidiaries could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or 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.

The following key assumptions are relevant to the fair valuation of our investment in our subsidiary companies, and are consistent with prior years. The multiples applied in valuing our subsidiaries are derived from comparable companies sourced from market data.

- ATS - This is valued as a trading business. For the fair valuation of ATS as at 31 December 2015 the Board used an external valuation. A discounted cash flow, revenue multiple and an earnings before interest, tax, depreciation and amortisation multiple approach were used for comparative purposes. No change has been made to the fair valuation as at 30 June 2016.
- ATI - This is valued as a trading business. A discounted cashflow, revenue multiple and an earnings before interest, tax depreciation and amortisation multiple valuation approach was adopted as at 31 December 2015. No change has been made to the fair valuation as at 30 June 2016.

The fair value of both ATS and ATI are as stated in the 2015 Annual Report and Accounts. These have been reassessed by the Directors and are still regarded as best estimation of the fair value for financial reporting purposes as at 30 June 2016. The Directors will review the fair value on an ongoing basis and will reassess the fair value in light of progress in the new business integration and operating platform with specific respect to ATS and in respect of delivery of business plans and profitability for both companies, prior to the financial year end.

Mineral rights are carried at fair value and are valued in the Company's accounts at £14.8m (£33.1m at 30 June 2015, £17.5m at 31 December 2015) 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 input variables would impact the valuation disclosed for the relevant Level 3 assets.

£000 Investment	Fair Value at June 2016	Valuation Method	Unobservable inputs	Input sensitivity		Change in valuation +/-
				Input	+/-	
Alliance Trust Savings	54,000	Average of discounted cash flow methodology and comparable trading multiples.	DCF Discount rate	13.2%	1%	6,000/(6,000)
			AUA Growth	1	1	12,000/(12,000)
			EBITDA multiple	1	1	6,300/(6,300)
Alliance Trust Investments	19,800	Average of discounted cash flow methodology and comparable trading multiples.	DCF Discount rate	15%	1%	(600)/600
			Revenue multiple	2	1	6,000/(6,000)
			EBITDA multiple	6	1	470/(470)
Mineral Rights	14,778	Oklahoma Tax Commission multiples and Lierle US Price report (for non producing properties).	Revenue multiple - gas	7	1	1,100/(1,100)
			Revenue multiple - oil	4	1	800/(800)
			Revenue multiple - products/condensate	4	1	400/(400)
			Average bonus multiple non producing	1	0.5	1,000/(1,000)

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 ATS, an increase in the assets under administration (AUA) growth multiple and EBITDA multiple or a decrease in the discount rate would lead to an increase in the estimated value. For ATI, an increase in the revenue and EBITDA multiple or a decrease in the discount rate 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 2012. 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, and 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). Alliance Trust PLC receives information from the General Partner on the underlying investments which is subsequently reviewed by the Valuation Committee. Where Alliance Trust PLC does not feel that the valuation is appropriate, an adjustment will be made.

The Company's unsecured fixed rate loan notes are initially recognised at a carrying value equivalent to the proceeds received net of issue costs associated with the borrowings. After initial recognition, unsecured fixed rate loan notes are subsequently measured at amortised cost using the effective interest rate method. The effective rate of interest is 4.30%.

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

## **11 Financial Commitments**

As at 30 June 2016 the Group and Company had financial commitments, which have not been accrued, totaling £26m (£42m at 30 June 2015 and £44m at 31 December 2015). Of this amount £26m (£42m at 30 June 2015 and £44m at 31 December 2015) was in respect of uncalled subscriptions in investments structured as limited partnerships all of which relates to investments in our private equity portfolio. This is the maximum amount that the Company may be required to invest. These limited partnership commitments may be called at any time up to an agreed contractual date. The Company may choose not to fulfil individual commitments but may suffer a penalty should it do so, the terms of which vary between investments.

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

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

## **12 Share Based Payments**

The Group operates two share based payment schemes. Full details of these schemes (LTIP and AESOP) are disclosed in the December 2015 Annual Report and financial statements and the basis of measuring fair value is consistent with that disclosed therein.

### **Long Term Incentive Plan ('LTIP')**

The disclosure in this note relates to the 2014 and 2015 plans; no awards have been granted for a 2016 scheme. As of 1 January 2016, employee contracts have been transferred to ATI and ATS and as such no ongoing remuneration costs are incurred by the Company. However, the Company will continue to incur some costs in relation to the 2014 and 2015 plans through to vesting dates for previous Company employees. The actual pay out values are to be recognised in the Company accounts at the respective plan vesting dates and are contingent on the performance of the business in accordance with the performance measures in the plan rules.

In the period ended 30 June 2016 no Company shares were purchased (98,002 at 30 June 2015 and 31 December 2015) at a price of £ Nil (£5.10 at 30 June 2015 and 31 December 2015) per share. Matching awards of up to Nil (317,880 at 30 June 2015 and 31 December 2015) shares, and performance awards of up to Nil (552,263 at 30 June 2015 and 31 December 2015) shares were granted.

Matching awards and performance awards made during the period were valued at £Nil (£588,000 at 30 June 2015 and at 31 December 2015) and £Nil (£1,022,000 at 30 June 2015 and at 31 December 2015) respectively. The fair value of the awards was calculated using a binomial methodology.

The cumulative charge to the income statement during the period for the 2014 and 2015 LTIP awards was £213,000 (£452,000 at 30 June 2015 and £52,000 at 31 December 2015) for the Group.

These costs are adjusted if certain vesting conditions are not met, for example if a participant leaves before the end of the three year (2014 scheme) and five year (2015 scheme) vesting period.

### 13 Bank loans and unsecured fixed rate loan notes

<b>£000</b>	<b>As at 30 June 2016</b>	<b>As at 30 June 2015</b>	<b>As at 31 Dec 2015</b>
Bank loans repayable within one year	<b>200,000</b>	362,000	290,000
<b>Analysis of borrowings by currency:</b>			
Bank loans - Sterling	<b>200,000</b>	362,000	290,000
<b>The weighted average % interest rates payable:</b>			
Bank loans	<b>1.24%</b>	1.39%	1.33%
<b>The Directors' estimate of the fair value of the borrowings:</b>			
Bank loans	<b>200,000</b>	362,000	290,000
Unsecured fixed rate loan notes	<b>121,670</b>	100,000	100,000
<b>The effective interest rates payable:</b>			
Unsecured fixed rate loan notes	<b>4.30%</b>	4.30%	4.30%

£100m of unsecured fixed rate loan notes were drawn down in July 2014, over 15 years at 4.28%. Up until 31 December 2015, these were accounted for at par. With effect from 1 June 2016 these are accounted for at fair value. The fair value at 30 June 2016 was £121.7m (30 June 2015 £107.0m and 31 December 2015 £109.0m).

**The total weighted average % interest rates payable:** **2.25%** 2.01% 2.09%

### 14 Share Capital

<b>£000</b>	<b>As at 30 June 2016</b>	<b>As at 30 June 2015</b>	<b>As at 31 Dec 2015</b>
Allotted, called up and fully paid: 514,975,801 (552,334,146 at 30 June 2015 and 526,340,897 at 31 December 2015) ordinary shares of 2.5p each	<b>12,875</b>	13,808	13,160
<b>Share Buybacks</b>			
	<b>As at 30 June 2016</b>	<b>As at 30 June 2015</b>	<b>As at 31 Dec 2015</b>
Ordinary shares of 2.5p each			
Opening share capital	<b>13,160</b>	13,835	13,835
Share buybacks	<b>(285)</b>	(27)	(675)
Closing share capital	<b>12,875</b>	13,808	13,160

The Interim Report and Accounts will be available on the Company's website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk) later today.