Alliance Trust PLC

4 March 2016

Results for year to 31 December 2015

Financial Highlights	As at 31 Dec 2015	Change from Dec 2014	Total Return
Share price	517.0p	+8.0%	10.7%
NAV per share	562.4p	+2.9%	5.4%
Total dividend	12.43p	+0.4%	Including special dividend of 1.46p
Ongoing Charges Ratio	0.59%	- 1.7%	

Progress Against our Objectives

Improve investment performance

- Total Shareholder Return (TSR) of 10.7% and Net Asset Value (NAV) Total Return for the Trust of 5.4%, compared to the MSCI ACWI benchmark return of 3.8%.

Narrow the discount

- A year-end discount of 8.1%, compared to 12.4% a year earlier.

Dividend Progression

- Total dividend of 12.43p, up 0.4% on 2014 and representing a yield of 2.4% for the year. This is the 49th year of consecutive dividend increases.

Reduce Costs

- Ongoing Charges Ratio reduced to 0.59% and on track to achieve target of 0.45% by end of 2016, one of the lowest in the Global investment trust sector.

Simplifying the corporate structure

- The Board now consists solely of non-executive directors, with independent boards for Alliance Trust Investments and Alliance Trust Savings.

Alliance Trust Investments

- Alliance Trust Investments (ATI) generated net inflows of £81m, ending the year with third party assets under management (AUM) of £2.1bn. Losses reduced by 36% to £2.1m.
- Following ATI's appointment as the investment manager for Alliance Trust PLC, AUM now stands at around £5bn.

Alliance Trust Savings

- Significant progress made in 2015.
- Assets under administration rose by 32% and customer accounts rose by 18%, reflecting strong organic growth and initial benefits of Stocktrade acquisition.
- Net revenue grew by 7% to £13.7m.
- Following an external valuation, the fair value of the business has increased to £54m, an increase of 71% from last year.

Lord Smith of Kelvin, Chairman of Alliance Trust PLC commented: "2015 was an eventful year for Alliance Trust and highlighted that shareholders expected change. In order to deliver this, we set out a package of changes on 1 October to enhance shareholder value and the process to implement them is well under way.

We have already made good progress. In particular, the investment team is continuing to deliver improved investment returns, significantly outperforming the benchmark. At the same time the discount to NAV has narrowed and we are on target to achieve our cost cutting objectives."

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Dividend Declaration

Having paid three interim dividends of 2.5325p for last year together with a special dividend of 1.46326p paid in December, the Directors have declared a fourth interim dividend of 3.3725p payable on 31 March 2016 to shareholders on the register on 18 March 2016. The ex-dividend date is 17 March 2016. The total dividend for the year is 12.43p.

Election and Re-election of Directors

At the Annual General Meeting on 6 May 2016 John Hylands will be standing down from the Board but all other Directors are standing for election or re-election.

Chairman's Statement

I am pleased to be writing my first statement as Chairman of Alliance Trust. Alliance Trust is an important business with a long and proud history in Scotland and around the world. I am looking forward to playing my part in delivering the changes that are necessary to return the Trust to the levels of performance upon which it has earned its reputation and success.

We believe that there is an appetite among shareholders for a global equity investment trust offering strong and consistent investment returns through a combination of capital growth and a growing dividend at a low cost. We aim to deliver this for our shareholders through a focus on investment in those companies which demonstrate sound business models and strong management in order to generate returns over the long term at an acceptable level of risk. Our performance in 2015 demonstrates that we can do so:

- A Total Shareholder Return of 10.7% and a Net Asset Value Total Return for the Trust of 5.4%, compared to the 3.8% return of the MSCI All Country World Index in Sterling (MSCI ACWI)

- A year-end discount of 8.1%, compared to 12.4% a year earlier

- An increase in our total dividend to 12.43p, which represents a yield of 2.4% at 31 December 2015 and is the 49th consecutive year of dividend growth

- An Ongoing Charges Ratio of 0.59%, compared to 0.60% for 2014.

2015 was an eventful year for Alliance Trust and the extensive media commentary has perhaps overshadowed the positive developments during the year. However the events around our AGM clearly demonstrated that our shareholders expected the Board to make changes.

After the 2015 AGM we undertook an extensive consultation exercise, listening to the views of our shareholders, and following our annual Board strategy review we announced a package of changes on 1 October intended to enhance shareholder value. These were:

- **Clarifying the investment mandate to improve performance**, with a focus on global equities and the appointment of our subsidiary Alliance Trust Investments to manage the portfolio, against a target to outperform the benchmark

- **A commitment to narrow the discount** into single figures, supported by the use of share buybacks

- **Clarifying our dividend policy**, with the aim of maintaining our commitment to a progressive dividend and distributing all net income earned in the form of ordinary dividends

- **Reducing costs**, with a cost-reduction programme to deliver savings of £6m across the investment business during 2016 in order to target an Ongoing Charges Ratio of 0.45% by the end of 2016

- **Simplification of the structure**, with a non-executive Board for the Trust and independent boards for our two subsidiary investments, Alliance Trust Investments and Alliance Trust Savings, to increase their accountability and focus.

Good progress has been made against all of these objectives which reflect the first steps in our aim of improving the performance of the Trust.

We have not changed our investment objective – to be a core investment for investors seeking increasing value over the long term – and our investment policy allows us to invest in a wide range of asset classes throughout the world. When market conditions are favourable we can use gearing to increase equity exposure, in order to enhance returns from the portfolio. We believe that moderate structural gearing at a cost effective rate is beneficial for shareholders over the long term. At the year end, with total assets of £3.4bn and net gearing of 13%, our equity portfolio represented 102% of net assets and in normal markets we would expect our equity portfolio to represent at least 100% of NAV.

The performance of our equity portfolio has continued to be strong following the change to the investment management team in 2014 and is already well ahead of the benchmark. At the same time we have reduced our non-equity investments, with our fixed income portfolio reduced to £73.3m and the sale of our remaining commercial property. We initiated the sale of our mineral rights portfolio prior to the year end. Since then, oil prices have slumped, depressing the marketability of our holdings, and no satisfactory offers were received. We will therefore continue to hold these assets until we perceive a positive change in the market. The improved investment performance has had a positive impact on our discount which narrowed to 8.1% at the year end. We bought back 4.9% of the Company's shares in the period between the announcement on 1 October and 31 December 2015, which also helped the discount to narrow.

We have completed the process of appointing Alliance Trust Investments to manage the portfolio at an investment management charge of 0.35% of NAV – one of the lowest in the investment trust sector. We are comfortable that Alliance Trust Investments has the resources to provide us with the service we require from our asset manager. We have established a Management Engagement Committee, as recommended by the AIC Code of Corporate Governance, to oversee and review the performance of the investment manager.

New independent boards have been appointed for Alliance Trust Savings and Alliance Trust Investments. Alliance Trust Investments has seen an increase in assets under management and, with the addition of the Trust's mandate, has a strong base for future growth and improved profitability in 2016. Alliance Trust Savings, with its acquisition of the assets and business of Stocktrade and new technology platform, is positioned to deliver a profit in 2016. We anticipate both of these investments will provide positive returns to the Trust in the future.

<u>Board changes</u>

The Board at the start of 2016 is significantly different from 12 months ago. Anthony Brooke, Rory Macnamara, Chris Samuel and Karl Sternberg (Senior Independent Director) were appointed as non-executive directors during the year. These Directors bring with them the skills and expertise we believe will contribute to the success of the Company under our new structure and details of their skills and experience can be found on pages 22 and 23 of the Annual Report. I welcome the contribution which all have made to the strategic changes which we announced in October and their subsequent implementation. Gregor Stewart took on the role of Deputy Chairman in February 2016 and will chair the Audit and Risk Committee after our AGM.

A number of directors have left the Board since the last AGM. My predecessor, Karin Forseke, and Alastair Kerr both left the Board at the year end, having overseen the transition to the new governance arrangements. I would like to thank them both for their contribution during a period in which Alliance Trust has faced a number of challenges but has also made good progress in its long-term aims. Alan Trotter, Chief Financial Officer, also left following the changes which we announced in October, having played a key role throughout the review process for which I am grateful. I wish all three well for the future.

Susan Noble and Katherine Garrett-Cox left the Alliance Trust PLC Board in February 2016. Susan became Chairman of Alliance Trust Investments and I look forward to working with Susan in her new role. Katherine Garrett-Cox will leave Alliance Trust Investments on 11 March 2016. Katherine has done much over the past nine years to refocus the investment performance to its traditional strengths in global equities. I, and the rest of the Board, wish her every success in the future.

John Hylands will retire as a director at the 2016 AGM following eight years as a director and Chairman of the Audit Committee. I and my Board colleagues will miss his wise counsel and consistent support throughout his time as a member of the Board.

Finally, I am acutely aware of the lack of gender diversity on the current board as a result of the recent changes. Alliance Trust has long been a leader in the area of board diversity, and this is an issue which I am determined to address at the earliest opportunity. I report on wider corporate governance issues on page 24 of the Annual Report.

I am pleased with the progress to date on the initiatives announced on 1 October and look forward to delivering further improvements in the coming years.

I hope you find the rest of this report interesting and informative.

Lord Smith of Kelvin
Chairman

Portfolio Manager's Report

Summary

The NAV return for 2015 was 5.4% versus the benchmark MSCI ACWI return of 3.8%.This is a result of the investment returns of the global equity portfolio; investments in fixed income, private equity and mineral rights; and the value of the subsidiary companies.

Over 2015 the total shareholder return was 10.7%, which captures the benefit of a reduction in the discount.

Equities, at 89% of our total investments at the year end, are by far the most significant asset class. Overall gearing through the year was 13%.

Contribution Analysis (%)	Average Weight	Total Return	Contribution to Total Return
Equity Portfolio	98.7	6.0	6.0
Fixed Income	5.2	2.6	0.1
Other Investments	7.6	4.1	0.3
Cash & Accruals	2.2	N/A	(0.4)
Gearing	(13.7)	2.1	(0.3)
Total	100.0		5.7
Expenses			(0.8)
Buybacks			0.5
NAV Total Return			5.4
Effect of Discount			5.3
Share Price Total Return			10.7
MSCI ACWI Total Return			3.8

Source: Alliance Trust and FactSet

Global Equities

The investment process for the Global Equities portfolio aims to outperform the MSCI ACWI by a minimum of 1% per annum net of fees on a three year rolling basis. The prime driver of investment returns is stock selection. We identify high quality companies which are undervalued relative to their earnings and dividend growth prospects. There are three elements to our definition of quality:

- Ability to maintain high returns on equity from a strong capital position
- Benefits from long-term societal trends
- Exhibits strong governance and management of all material factors

We construct a portfolio of between 60 and 80 of these so as to diversify market, country and industry sector risks.

Market Review

The global equity market endured a turbulent year over 2015. Concerns centred on slowing economic growth in China, uncertainty over the ability of monetary policy to stimulate growth in Europe and Japan, the rise in the dollar hurting both US exporters and emerging market economies, and lastly the dramatic deflation in oil and commodity prices.

These macro economic pressures led to low returns in global equities with the MSCI ACWI returning only 3.8%. Corporate bonds were similarly lacklustre with the iBoxx Corporate Bond Index just breaking positive ground at 0.6%.

Our Performance

The equity portfolio finished the year 2.2% ahead of the MSCI ACWI, delivering a 6.0% absolute return against 3.8% for the benchmark. As we anticipate with our investment process, the outperformance was primarily driven by strong stock selection, which contributed 1.6% to our relative outperformance, with sector less significant but still contributing 0.6%.

Our top five stock contributors were as follows:

- **Visa** – the world's largest payment card processor, which benefited from the move from cash to cards in developed markets and increased penetration of credit cards in developing markets.
- **Equinix** – a leading data centre, providing collocation, interconnection and managed services to enterprises, content companies and Telco network providers. It benefits from the rapid growth in worldwide demands for data.
- **Accenture –** one of the leading IT service and consulting firms. It benefits from organisations adapting to structural changes such as the rise of cloud computing and big data.
- **Walt Disney** – one of the largest media and content companies with leading channels such as ESPN, Disney Channel and ABC.
- **Nasdaq** – a diversified global exchange which offers trading and clearing services, market data products, technology products, financial index products, listing services and public security services. It benefits from the regulatory drive to increase transparency in financial markets.

Our biggest negative contributor was Delta Lloyd where despite improving operational efficiencies within its business, the price of the Dutch insurer suffered as it became apparent that its balance sheet position was much weaker than the market had anticipated and we therefore exited the position in December. Other detractors were Enterprise Product Partners which suffered from the fall in oil prices; and Ambev with its exposure to a weakening Brazilian economy.

Our favoured stocks in healthcare performed well and contributed positively to performance. We like this sector because it delivers positive growth even in tough economic environments. We focus on healthcare companies which deliver differentiated, life-saving therapies, such as Novo Nordisk; and products and solutions that make healthcare more affordable and more accessible, such as Amerisource Bergen.

Within the technology sector the focus is on thematic drivers such as the growth in cloud computing and the need to invest in digital infrastructure. Accenture and SAP were examples of companies which benefit from these themes. Visa, which we regard as a technology company, performed well and, as the portfolio's largest position, was a strong contributor to performance.

Portfolio Activity

The investment team continued to reduce the number of holdings in the portfolio from 74 at the end of 2014 to 61 at the end of 2015, reflecting increased conviction in a portfolio of "best in class" global companies.

New entries to the top 10 holdings are:

Wells Fargo – a best-in-class US bank, and one which has illustrated a prudent and responsible lending policy. It is almost exclusively domestically exposed in the US, so is well positioned to take advantage of the improving housing and labour markets there, and will also see improving profitability as interest rates rise.

CSL – the leading global producer of blood plasma products that benefits from steady demand growth from an ageing population.

National Grid – an electricity and gas company that connects consumers to energy sources through its networks in the northeast US. In the UK it runs the gas and electricity distribution systems.

New holdings in the year were:

Ecolab – the global leader in the development of hygiene, water and energy solutions across a wide range of end markets. It can grow its business in almost any macro-economic environment, given the defensive nature of its revenue streams and its ability to provide innovative solutions that enable its customers to reduce input costs.

Orix – is a Japanese financial company which specialises in lending to small businesses and in automobile leasing. It also has a developing business which finances the growth in renewable energy in Japan, which we see as a crucial solution to the long-term issues facing Japan and its energy needs post the Fukushima nuclear accident.

Arm Holdings – this licensing business remains strong, despite headwinds in smart-phone growth, and has the ability to use their technology in new products, such as servers and automobile end markets. The energy efficiency of their chip designs gives them a very strong competitive advantage.

There were two sales worthy of note:

Qualcomm – Qualcomm's semi-conductor business is facing competitive pressures and its profitability is suffering. The growth in their licensing business has been unable to offset that weakness and we decided to switch the Qualcomm position into UK-listed Arm Holdings.

HSBC – We sold our position in HSBC due to concerns around their Hong Kong franchise. The economy and property market in Hong Kong faces a number of challenges, as it is positioned between a weakening Chinese economy, high US interest rates and a delicate political situation. We recycled part of the proceeds from HSBC into existing Financials positions with better prospects such as Wells Fargo and Nasdaq.

Attribution analysis

Equity Portfolio Only (look through basis)	Alliance Trust Average Weight	Alliance Trust Total Return	Alliance Trust Contribution to Total Return	MSCI AC World Index Average Weight	MSCI AC World Index Total Return	Attribution Allocation Effect	Attribution Stock Selection Effect	Attribution Total Effect
Consumer Discretionary	8.3	20.6	1.5	12.6	10.6	(0.3)	0.8	0.5
Consumer Staples	8.2	5.9	0.4	9.9	11.8	(0.1)	(0.5)	(0.6)
Energy	5.0	(16.0)	(0.8)	7.2	(17.1)	0.4	0.1	0.5
Financials	25.4	2.4	0.6	21.5	0.3	(0.1)	0.5	0.4
Health Care	16.8	14.2	2.3	12.2	13.0	0.4	0.2	0.6
Industrials	8.0	7.3	0.6	10.5	3.2	0.0	0.3	0.3
Information Technology	18.5	10.7	1.9	13.9	9.7	0.2	0.2	0.4
Materials	4.5	(11.7)	(0.6)	4.9	(11.5)	0.1	0.0	0.1
Telecommunication Services	1.9	2.8	0.1	3.7	4.5	0.0	0.0	0.0
Utilities	3.4	(1.9)	0.0	3.2	(2.1)	0.0	0.0	0.0
	100.0		6.0		3.8	0.6	1.6	2.2

Source: Alliance Trust and Factset

Active Share and Portfolio Risk

The table below shows the change in the number of stocks held in the portfolio and also the active share, which is an indicator of the level of divergence of our portfolio from the MSCI ACWI at a stock level. Despite continuing to reduce the number of stocks in the portfolio over the year the risk profile of the portfolio is largely unchanged relative to the benchmark.

Active Share

	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015
Number of stocks	87	81	77	76	73	73	70	69	69	68	68	66	66	64	63	61
Active Share%	87.5	89.0	89.2	89.5	89.7	89.8	89.8	89.8	89.8	90.2	89.9	90.2	90.1	90.4	90.6	90.9

Source: Alliance Trust and MSCI

We construct the portfolio to deliver strong risk-adjusted returns for our investors. We measure the level of risk in our portfolio against that of our benchmark and at the start of 2015 our predicted benchmark relative risk was 2.5%. At the start of the year, we would therefore expect that our portfolio return over the year would likely be within 2.5% of the benchmark return. This “active risk” is continually monitored using industry-standard models and analytics, to identify both portfolio behaviour and structure. As we track this active risk over time, we can also track the ability of our process to deliver outperformance and ensure that we have a balanced and diversified portfolio of global companies.

We believe our portfolio is concentrated enough to deliver our investment objective, but diversified enough to deliver volatility similar to that of the benchmark.

Non-core Investments

As announced last year we have been working to reduce our non-core investments. We sold the last of our direct property investments in the year for £5.6m, a profit on the holding value of 15.6%. We initiated the sale of our mineral rights holdings, which provided income of £3.3m during the year and at the year end was valued at £17.5m. In light of the continued drop in oil prices the offers we received were unsatisfactory and a decision was taken to hold these assets until the market for such assets shows signs of recovery. We reduced our fixed income exposure by 58% to £73.3m through the realisation of holdings in the Alliance Trust Investments Fixed Income funds. In the year they contributed 0.1% to our performance.

We continue to hold seven externally managed private equity funds, largely mid-market European buyout funds, through our two fund of fund partnerships. Together with our other legacy private equity investments they provided positive returns and contributed 0.4% to our performance this year. The value of our private equity investments is £125.3m and the total committed to private equity investments is £166.4m with outstanding commitments totalling £43.9m. We have made no new private equity investments since 2014 and we have realised other small legacy direct investments in companies and other limited partnerships as opportunities to do so have arisen. Other than funding commitments already made, no more private equity investments will be made.

Portfolio Positioning and Outlook

The outlook for 2016 is for both weak global economic growth and ongoing uncertainty around the direction and impact of governments' and central banks' policies. We therefore expect to see increased volatility in the returns from all asset classes as we go through the year. In this environment we believe our approach is well positioned. Having a diversified portfolio of equities with growth prospects which are relatively independent of economic growth should enable us to continue to outperform on a longer term basis.

Top 10 Holdings

We look to hold our stocks for the long term. Other than Walt Disney, which we purchased in 2013, and CSL, which we purchased in 2014, we have held all of our top 10 holdings for more than three years.

	% of equity portfolio	% Contribution to return
Visa is the world's largest payment card processor, significantly larger than Mastercard, its closest competitor. It benefits from multiple long-term drivers such as increasing credit card penetration in emerging markets and e-commerce growth. The company also benefits from strong barriers to entry, driving high margins and good free cash flow generation. The recent acquisition of Visa Europe should ensure margins grow over the next few years, as efficiencies are extracted from the new combined entity.	4.0	0.9
Pfizer is a global pharmaceuticals company that has done an excellent job of managing its business through a period of significant patent expiries while continuing to grow earnings per share. It is a highly cash generative business which returns significant amounts of cash to shareholders via a growing dividend and share repurchases. From 2016, sales growth should turn positive and earnings growth should accelerate as recently approved products begin to contribute meaningfully and we are past the majority of patent expiries. Recent acquisitions of Hospira and Allergan will provide opportunities to run the combined business more efficiently, something Pfizer excels at.	3.4	0.4
Accenture is one of the leading IT service and consulting firms. It benefits from organisations adapting their IT systems driven by increasingly demanding regulatory systems, mergers and acquisitions and the need to adapt and reduce costs. Important structural changes are occurring in the enterprise technology world, such as the emergence of cloud computing and big data, and Accenture helps their clients understand and adopt these technologies.	3.0	0.7
Prudential has a solid business in the UK, a slowly growing business in the US, and is a good asset manager; the long term growth and focus for the company though is on Asia. The middle class population in emerging economies (principally in Asia) is expected to nearly double from 2010 to 2020 - health and life insurance are high on the desire list of the newly affluent. This is a structural feature of Asian markets and should continue regardless of equity or currency volatility.	2.9	0.2
Walt Disney is one of the most attractive media content and entertainment companies with winning cable channels such as ESPN, Disney Channel and ABC. Its creative content can be leveraged across all assets of the group; in its theme parks, Disney stores and cable networks. Disney protects its franchise over the long term.	2.8	0.7
Amgen is a global biotechnology company with a strong portfolio of mature biologic products. Although some of these will face competition in the second half of this decade, the complexity of biologic drugs mean this will not be as severe as typically seen when a small molecule drug loses patent protection. Amgen should see good earnings and cash flow growth over the next few years, but more importantly their late stage drug pipeline is coming to fruition and contains several potential blockbusters.	2.6	0.3
Wells Fargo is a leading US bank, with a best-in-class mortgage franchise, and a leading deposit taker. It has little investment banking or international exposure, and is considered to have the most prudent lending standards, and strongest balance sheets, of all the big US banks. It will benefit from rising interest rates in the US, and this will feed directly into its earnings. It is also well placed to benefit from a recovery in the US housing market and demand for mortgages.	2.6	0.2

	% of equity portfolio	% Contribution to return
CVS Health is one of the largest drug retailers in the US with over 7,700 stores and a leading pharmacy benefit manager. The company is well positioned to benefit from growth in drug expenditure driven by the ageing population and the US move to a more consumer centric healthcare system. CVS Health should continue to return significant cash flow to shareholders through their rapidly growing dividend and share repurchases.	2.5	0.3
CSL is an Australian healthcare company and is a global leader in the manufacturing and distribution of blood plasma products. It provides life saving products to patients with immune deficiencies and diseases such as haemophilia. Product demand grows at a multiple of GDP, driven by an ageing population and the growth in lifestyle related diseases such as diabetes. Barriers to entry for supply are high, given the high risk to patients of blood borne contaminants, where CSL's reputation for leading edge technology and strong track record on safety sets it apart. CSL provides sustainable earnings and dividend growth, with best in class assets and a high quality management team.	2.4	0.3
National Grid is a leading UK regulated power business, with operations in both the UK and the US. Virtually all of National Grid's business is regulated, so there is no exposure to volatile commodity prices. It means there exists a high degree of visibility to returns and to cash flow. National Grid is an efficient operator, and cost savings flow through into returns to investors. This, combined with the need for investment in transmission in the UK and their assets in the US, underpin a solid dividend and growth outlook.	2.2	0.2

Financial Performance

Costs

The Ongoing Charges Ratio (OCR) calculated on ongoing expenses is 0.59%, below the 0.60% reported in 2014. Ongoing expenses exclude non-recurring expenses relating to the AGM requisition and restructuring costs. Action taken by management has reduced the AGM requisition costs to £2.4m from the £3.0m estimated at the time. Restructuring costs resulting from the structural and organisation changes announced in October are £2.8m.

Following guidance issued by the Association of Investment Companies (AIC) we have excluded the expenses incurred by the Company's subsidiaries, as these do not relate to running the Company. We include in the OCR the appropriate proportion of the ongoing charges of all underlying Alliance Trust Investments managed funds in the portfolio. In 2015 the OEIC investments represent less than 5% of the portfolio so no OEIC related expenses are included in the OCR calculation. The table below shows the make-up of the OCR.

In October 2015 we announced targeted cost savings of £6m across our investment business for 2016 and the intention to target an OCR of 0.45% or less by the end of 2016 compared to 0.59% in 2015 and 0.60% in 2014. We also announced that in order to reflect the returns from the Trust's predominantly equity portfolio, from 2016 onwards two-thirds of administrative expenses will be allocated to the capital account, rather than the revenue account. This is in line with the AIC SORP and other trusts in the sector.

Ongoing Charges Ratio

£000	**2015**	**2014**
Average net assets	2,983,253	2,952,664
Revenue expenses	22,835	19,714
OEIC expenses where investment >5% of portfolio	0	232
One-off expenses	(5,233)	(2,138)
Ongoing expenses	**17,602**	**17,808**
OCR ongoing expenses	**0.59%**	**0.60%**

Source: Alliance Trust

Discount and share buybacks

The Board believes that investment performance is the key driver of the Company's share price and that the measures we announced in October will lead to a narrowing of the discount into single figures. The Board is committed to the active use of share buybacks, as required, in pursuit of this aim.

Our policy to buy back shares where we judge it to be beneficial to shareholders is now well established. We take into account the Company's discount relative to the peer group and the supply and demand for shares in the open market.

In 2015 the discount narrowed substantially and traded at a narrower level than at any point in the last 10 years.

During the year we bought back 27.0m shares, representing 4.9% of the Company's share capital, at a total cost of £135.5m. 96% of the buybacks took place in the last quarter of 2015. The weighted average discount of these buybacks was 10.3%. This action and our continued strong investment performance has contributed to driving the discount below 10%, a level we are committed to maintain. All the shares bought back have been cancelled.

Dividends

Alliance Trust has a long and proud tradition of annual increases in the ordinary dividend. We have increased the ordinary dividend in each of the last 49 years and are one of only four companies in the FTSE All-Share index with such a track record. Our dividend policy aims to pay a sustainable and rising dividend and will pay out all net income earned in the year as an ordinary dividend.

The ordinary dividend for 2015 will rise by 11.6% to 10.97p and we have already distributed a special dividend of 1.46326p which was paid on 31 December 2015. That special dividend was paid from funds received on the liquidation of one of our subsidiary companies, Alliance Trust (Finance) Limited. This was a repayment of capital, rather than income, and has not reduced the Company's capital reserves from the prior year end. A fourth interim dividend of 3.3725p will be paid on 31 March 2016 to shareholders on the Company's share register on 18 March 2016. The total dividend in 2015 of 12.43p is 0.05p higher than 2014.

Looking forward to 2016, subject to market conditions, we intend to continue our dividend policy to target an ever increasing dividend per share from revenue earnings. All net income will be paid out as ordinary dividends. As such, future dividend progression will be measured through increases in ordinary dividends.

Alliance Trust Investments

Alliance Trust Investments is a specialist fund management business offering open-ended funds and investment solutions. The focus of Alliance Trust Investments has been on targeting institutional and wholesale businesses using its range of sustainable investment and fixed income funds, which are open to both institutional and retail investors, and a small number of segregated mandates.

The business operates in a competitive marketplace and has a team of experienced professionals which is delivering consistently good investment returns for the Trust and its other clients. The Company has made a further investment of £1m in the business this year for regulatory capital purposes, giving a total investment since it was established of £43.4m.

The Directors attributed a fair value to this business at 31 December 2015 of £19.8m. The Directors concluded that it was appropriate to reduce the value of this business from its previous valuation of £24.3m during a transitional period for Alliance Trust Investments. Further details can be found in Note 23.8 on pages 81 to 83 of the Annual Report.

The decision taken by the Company in October to appoint Alliance Trust Investments as its investment manager took effect on 3 February 2016 and so the Trust's portfolio is not reflected in the year end assets under management figures. If the value of the Trust's portfolio were to be added to the third party assets managed at the year end, the total assets under management would have been £5bn.

The investment team delivered strong returns in the year with 11 out of 12 of its funds ranked above median in the year and seven in the top quartile. Our 12th fund, the Alliance Trust Monthly Income Bond Fund, delivered an average yield of 6% in the year. Alliance Trust Investments saw net inflows of £81m in the year and the business is capable of taking on significant additional assets without increasing its cost base.

Alliance Trust Investments saw net revenue grow to £10.5m and reduced its loss to £2.1m from £3.2m last year. The action taken to reduce costs as well as a focus on the continued growth of assets under management is expected to improve the profitability of this business during 2016.

Key Performance Indicators
Year to 31 December

Fair Value		Change
2015	£19.8m	-19%
2014	£24.3m	

Funds above median over 3 years		Change
2015	78%	-2%
2014	80%	

Third party assets under management		Change
2015	£2.1bn	+9%
2014	£1.9bn	

Third party net inflows		Change
2015	£81m	-7%
2014	£88m	

	2015	**2014**
Net Revenue	£10.5m	£10.2m
Expenses	£12.6m	£13.4m
Loss before tax	(£2.1m)	(£3.2m)

Alliance Trust Savings

Alliance Trust Savings is a platform business offering a range of investment and pension products. The focus of Alliance Trust Savings during the last year has been on delivery of new technology and organic growth across all our distribution channels. There are three channels; direct, intermediary and corporate partnerships. The emphasis has been on its intermediary channel while continuing to offer retail clients access to its award winning products and service.

The Company has made a further investment in the business this year of £37.1m, which included the conversion of an existing £7.1m loan. This was used to fund the acquisition of the Stocktrade business and the need for additional regulatory capital, giving a total investment since the business was established in 1986 of £92.9m. The Directors attributed a fair value to this business at 31 December 2015 of £54.0m, an increase of 71% on its value last year, after obtaining an external valuation of this business. Further details of the methodology used and the approach adopted can be found in Note 23.8 on pages 81 to 83 of the Annual Report.

In May 2015 Alliance Trust Savings agreed to acquire the business and assets of Stocktrade, an execution-only stockbroker owned by Brewin Dolphin. The Stocktrade retail customers were successfully transferred onto the Alliance Trust Savings platform in the autumn, adding £0.7bn of assets under administration, nearly 9,000 new accounts and over 5,000 certificated trading accounts. We expect the transaction to complete with the transfer of the corporate clients in the first half of 2016.

Both customer numbers and assets under administration have increased significantly during the year as a result of the acquisition and continued organic growth. Excluding the impact of Stocktrade, assets under administration grew by 21% and customer accounts by 6%.

Alliance Trust Savings saw net revenue grow during the year to £13.7m, an increase of 7%, and made a loss in the year of £5.2m compared to its loss of £3.9m last year. This loss was attributable to expenses incurred on new technology, the cost of implementing a revised management and board structure and lower than anticipated revenue.

The acquisition of Stocktrade, together with the investment in new technology, were key developments for Alliance Trust Savings and the business is now positioned to deliver a profit in 2016.

Key Performance Indicators
Year to 31 December

Fair Value		Change
2015	£54.0m	+71%
2014	£31.6m	

Assets under administration		Change
2015	£8.5bn*	+32%
2014	£6.4bn	

*includes former Stocktrade assets under administration of £0.7bn

Customer accounts		Change
2015	84,746*	+18%
2014	71,762	

*includes 8,991 former Stocktrade accounts

Number of trades		Change
2015	539,222	+9%
2014	494,483	

	2015	**2014**
Net Revenue	£13.7m	£12.8m
Expenses	£18.9m	£16.7m
Loss before tax*	(£5.2m)	(£3.9m)

*This includes a provision of £2.2m (2014: £0.4m) made against the net gain of £6.7m on discontinued operations in 2013 relating to the sale of the former Full SIPP business.

Risk Management

This section of the report deals with the structure of the Group's Risk Management Framework and risk reporting prior to the implementation, after the year end, of the change in structure which was announced in October 2015.

Risk Management Framework

The Group has a Risk Management Framework that provides a robust and comprehensive approach for the identification and management of key risks facing the business.

The Framework helps in the assessment and management of current and future risks. Principal Risk categories include Prudential, Operational, Strategic and Regulatory & Conduct Risk.

The Risk Management Framework supports two key processes:

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

Risk Appetite

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

Risk Governance Committees

The Board Risk Committee comprised Non-Executive Directors, with delegated responsibility from the Board to provide oversight and challenge to the appropriateness of the Risk Management Framework and the forward-looking risks facing the Group.

The Risk Management Committee, chaired by the Finance Director and comprising members of the senior management of the Group, ensured that the key risks were identified, monitored, assessed and controlled.

The Committees received reports of Risk Exposures and Events, as well as discussing any breaches of the agreed risk appetite.

Our new structure now combines Audit and Risk into one committee whose primary focus will be the current and future risks of the Company rather than those of the Group and we believe that the framework is appropriate for our new governance arrangements.

Risk and Control Self-Assessment (RCSA)

The RCSA is the methodology that allows the Group to identify and assess risks, and define and perform quarterly testing of controls. Individual risk and control owners are assigned with explicit responsibility for the ongoing monitoring and management of risks. This is reinforced through minimum standards communicated via the Group Policy Framework.

Quarterly risk outlook workshops are undertaken to consider and assess potential changes to the risk profile, including future risks, of the Group.

Effectiveness of the Risk Management and Internal Control Systems

We undertake an annual assessment of the effectiveness of the Risk Framework.

The most recent assessment was presented to the Audit & Risk Committee following the year end and noted that there were no significant concerns to highlight.

An annual report on the effectiveness of the internal control systems is provided to the Board. This includes a review of all material financial, prudential, operational and compliance controls. The report builds on the reporting of each line of defence that is provided across the course of the year through the governance committees up to the Board.

The latest report was presented to the Audit & Risk Committee following the year end and no material issues were identified.

Principal Risks

In common with other financial services organisations, our business model results in a number of inherent risks which are continuously monitored and managed. The risks have been categorised as Prudential, Operational, Strategic and Regulatory & Conduct Risks. The Board carried out a robust assessment of the principal risks that the Group could face, their mitigants and the trend of the likelihood of the risk materialising. The results of this assessment (which forms part of the Group ICAAP) are noted below.

Prudential Risks

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

Operational Risks

Risk	Change	Description	Mitigating activities
Cyber attack	Increasing	Failure to ensure that the business is adequately protected against the threat of cyber attack, which may lead to significant business disruption or external fraud. Despite action taken by management to improve systems the increasing trend is due to the general growth in cyber related incidents across the industry.	• Systems and controls to protect the business regularly tested • Ongoing monitoring of environment to understand threat landscape • Programme of enhancements to keep pace with latest defence strategies • Business continuity plans in place should an incident occur
Ineffective change delivery	Unchanged	Failure to manage projects effectively, leading to issues with cost, quality and reputational impact.	• Change management framework rigorously applied • Regular Management Information on projects provided to Executive and Board level

Strategic Risks

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

Regulatory and Conduct Risks

Risk	Change	Description	Mitigating activities
Regulatory non-compliance	Unchanged	Failure to ensure that systems and controls are adequate to allow compliance with all relevant regulatory requirements.	• Risk Control Self-Assessment process regularly assesses robustness of control environment • First line assurance and second line compliance monitoring programme • Regulatory developments process to ensure changes are appropriately implemented • Verification activities by Depositary as part of AIFM Directive requirements
Customer detriment	Unchanged	Risk of significant customer impact as a result of poor customer service caused by operational stretch or compounded strategic change.	• Culture puts customer at heart of the business • Customer outcome Management Information regularly reviewed at operational, Executive and Board level

Corporate Responsibility

Last year we reported in detail on what the Company and its employees were doing to demonstrate its commitment to growing the business in a way that is responsible and ensures a sustainable future for our shareholders, customers and communities. This year we highlight some of the main actions.

Stewardship: We have now had a full year under the stewardship of our current investment management team and our investment process is described on pages 10 and 11 of the Annual Report. We also look to vote whenever possible and in 2015 we voted at 80 meetings, 95% of the meetings at which we were eligible to vote. For 59 of these meetings we voted against, withheld or abstained on one or more resolutions. These votes related to concerns about matters including: board and committee independence and effectiveness; non-pre-emptive securities issues; excessive or opaque remuneration arrangements; and lack of transparency about lobbying activities and fair business policies.

We are a signatory to the UN Principles for Responsible Investment (PRI) and one of our investment managers is Chairman of the PRI's ESG Integration working group. We are also members of the World Business Council for Sustainable Development which seeks to promote sustainability both in business and through its work with UN Habitat and the International Union for Conservation of Nature (IUCN) World Conservation Congress.

Customers: We aim to have straightforward and open communication with our customers. In 2015 we carried out a customer perception audit which identified that Alliance Trust was seen as reliable, consistent, dependable, safe and secure. However it was felt that our communication on how we invest could be improved as could our investment performance. We report on pages 10 and 11 of the Annual Report the process that our managers follow and, on page 6 of the Annual Report, how our investment performance has exceeded benchmark. We provide a dedicated website, Investment Focus, to provide useful information and articles on many aspects of investment.

Communities: We continued to support the communities in which we operate. The Alliance Trust Foundation, which raises money through the Alliance Trust Cateran Yomp and fundraising activities by staff, distributed £27,000 to six charities nominated by staff as part of our annual grant process. In addition each month we make smaller donations to local charities and groups and in the year this amounted to £10,000. In December the Foundation donated over £2,000 to support foodbanks and other charities seeking to alleviate poverty at Christmas in Dundee, Edinburgh and London.

In September, in conjunction with D C Thomson, we launched a schools programme – 'Tomorrow's Talent' – with around 40 staff assisting in workshops involving over 1,000 pupils in 11 local secondary schools.

People: We believe that a diverse workforce will create the environment to allow our business to thrive and grow. We are committed to creating an inclusive environment where our people can develop and contribute fully.

Our employment and recruitment policies are at all times compliant with relevant EU and UK legislation. Recruitment, development and promotion is based solely on the candidate's suitability for the job to be done. We will not discriminate either before or during employment on the basis of gender, sexual orientation, age, race, nationality, disability, political or religious belief. Should any of our people become disabled we will ensure that they do not suffer any discrimination and we will make reasonable adjustments to allow them to continue to have the same opportunities as any other member of our workforce.

The table below provides the gender split at different levels within the business as at 31 December 2015.

	Male	**Female**
Board	7 (70%)	3 (30%)
Senior Managers	46 (75%)	15 (25%)
Total workforce	156 (49.5%)	159 (50.5%)

Total Greenhouse Gas emissions data

We report here on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

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

Details of our verification statements are available on our website:
www.alliancetrust.co.uk/pdfs/CarbonActionVerificationStatement.pdf

In the year the Company was identified as a UK leader for the quality of climate change related information that it has disclosed to investors and the global marketplace through the Carbon Disclosure Project (CDP), which is an international not-for-profit organisation that drives sustainable economies. It was awarded a position on the FTSE 350 Climate Disclosure Leadership Index (CDLI), in the United Kingdom edition of CDP's annual global climate change report. The position on the Index was earned by disclosing high quality carbon emissions and energy data through CDP's climate change programme. The reported data has been independently assessed against CDP's scoring methodology and marked out of 100. The Company scored 99. Those organisations graded within the top 10% constitute the CDLI.

Tonnes CO2e		**Year to 31 December 2013**	**Year to 31 December 2014**	**Year to 31 December 2015**	**% Change year on year**
Scope 1	• Direct energy consumption • Company owned road vehicles • Refrigerant loss at all facilities where Alliance Trust has operational control	211	190	181	-5%
Scope 2 – Location based	• Indirect energy consumption	489	535	472	-12%
Scope 3	• Business travel • Energy used at downstream property investments	649	592	645	9%
Key Performance Indicator (KPI)	Scope 1 + 2 normalised to per full-time employee equivalent (FTE)	2.76	2.63	2.07	-21%

Going concern

The Group'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 page 19 of the Annual Report. The Group's financial position and cash flows are set out on pages 52 to 56 of the Annual Report along with an analysis of its borrowings in Note 15 on page 73 of the Annual Report. As regards going concern the Directors have considered both liquidity and solvency risks.

Liquidity is concerned with our ability to liquidate assets or access new sources of short-term funds in the time needed to meet our liabilities as they fall due. The majority of the Group's assets are in listed securities on recognised stock exchanges which are readily realisable even in volatile markets. At 31 December 2015 we also had £160m 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 2015 the Group's total net assets were £2.95bn. Our investment policy restricts gearing to 30% of net assets at any given time (12.4% at 31 December 2015).

Sensitivities to market, credit, liquidity and gearing risk are set out in Note 23 on pages 77 to 84 of the Annual Report.

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

Consolidated income statement for the year ended 31 December 2015

	Year to December 2015			Year to December 2014		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue						
Income	**114,386**	**-**	**114,386**	110,117	-	110,117
Profit on fair value designated investments	**-**	**85,137**	**85,137**	-	163,584	163,584
Profit on investment property	**-**	**720**	**720**	-	284	284
Total revenue	**114,386**	**85,857**	**200,243**	110,117	163,868	273,985
Administrative expenses	**(44,460)**	**(1,585)**	**(46,045)**	(34,056)	(1,154)	(35,210)
Finance costs	**(3,972)**	**(5,281)**	**(9,253)**	(3,575)	(4,163)	(7,738)
Gain on revaluation of office premises	**-**	**175**	**175**	-	240	240
Foreign exchange losses	**-**	**(84)**	**(84)**	-	(2,752)	(2,752)
Profit before tax	**65,954**	**79,082**	**145,036**	72,486	156,039	228,525
Tax	**(5,362)**	**-**	**(5,362)**	(3,666)	-	(3,666)
Profit for the year	**60,592**	**79,082**	**139,674**	68,820	156,039	224,859

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

Earnings per share attributable to equity holders of the parent						
Basic (p per share)	**11.05**	**14.42**	**25.47**	12.39	28.10	40.49
Diluted (p per share)	**11.03**	**14.39**	**25.42**	12.37	28.04	40.41

Consolidated statement of comprehensive income

	Year to December 2015			Year to December 2014		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the year	**60,592**	**79,082**	**139,674**	68,820	156,039	224,859
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial loss	**-**	**(22)**	**(22)**	-	(1,506)	(1,506)
Retirement benefit obligations deferred tax	**-**	**(96)**	**(96)**	-	301	301
Other comprehensive loss	**-**	**(118)**	**(118)**	-	(1,205)	(1,205)
Total comprehensive income for the year	**60,592**	**78,964**	**139,556**	**68,820**	**154,834**	**223,654**

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

Company income statement for the year ended 31 December 2015

	Year to December 2015			Year to December 2014		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue						
Income	**92,348**	**-**	**92,348**	95,707	-	95,707
Profit on fair value designated investments	**-**	**87,334**	**87,334**	-	163,587	163,587
Profit on investment property	**-**	**720**	**720**	-	284	284
Total revenue	**92,348**	**88,054**	**180,402**	95,707	163,871	259,578
Administrative expenses	**(22,835)**	**(1,133)**	**(23,968)**	(19,714)	(1,090)	(20,804)
Finance costs	**(3,968)**	**(5,281)**	**(9,249)**	(3,575)	(4,163)	(7,738)
Gain on revaluation of office premises	**-**	**175**	**175**	-	240	240

Foreign exchange losses	**-**	**(84)**	**(84)**	-	(2,752)	(2,752)
Profit before tax	**65,545**	**81,731**	**147,276**	72,418	156,106	228,524
Tax	**(5,360)**	**-**	**(5,360)**	(3,666)	-	(3,666)
Profit for the year	**60,185**	**81,731**	**141,916**	68,752	156,106	224,858

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

Earnings per share attributable to equity holders of the parent						
Basic (p per share)	**10.97**	**14.90**	**25.87**	12.38	28.11	40.49
Diluted (p per share)	**10.95**	**14.87**	**25.82**	12.35	28.05	40.40

Company statement of comprehensive income

	Year to December 2015			Year to December 2014		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Profit for the year	**60,185**	**81,731**	**141,916**	68,752	156,106	224,858
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial loss	**-**	**(22)**	**(22)**	-	(1,506)	(1,506)
Retirement benefit obligations deferred tax	**-**	**(96)**	**(96)**	-	301	301
Other comprehensive loss	**-**	**(118)**	**(118)**	-	(1,205)	(1,205)
Total comprehensive income for the year	**60,185**	**81,613**	**141,798**	68,752	154,901	223,653

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

Statement of changes in equity for the year ended 31 December 2015

	Group		Company	
£000	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**
Called up share capital				
At 1 January	**13,835**	14,003	**13,835**	14,003
Own shares purchased and cancelled in the year	**(675)**	(168)	**(675)**	(168)
At 31 December	**13,160**	13,835	**13,160**	13,835
Capital reserve				
At 1 January	**2,233,915**	2,108,441	**2,234,150**	2,108,609
Profit for the year	**79,082**	156,039	**81,731**	156,106
Defined benefit plan actuarial net loss	**(118)**	(1,205)	**(118)**	(1,205)
Own shares purchased and cancelled in the year	**(136,479)**	(30,208)	**(136,479)**	(30,208)
Share based payments	**521**	848	**521**	848
Dividends paid	**(7,779)**	-	**(7,779)**	-
At 31 December	**2,169,142**	2,233,915	**2,172,026**	2,234,150
Merger reserve				
At 1 January and at 31 December	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve				
At 1 January	**5,163**	4,995	**5,163**	4,995
Own shares purchased and cancelled in the year	**675**	168	**675**	168

At 31 December	**5,838**	5,163	**5,838**	5,163

Revenue reserve				
At 1 January	**120,916**	113,381	**120,679**	113,212
Profit for the year	**60,592**	68,820	**60,185**	68,752
Dividends paid	**(68,982)**	(61,275)	**(68,982)**	(61,275)
Unclaimed dividends returned/(redistributed)	**39**	(10)	**39**	(10)
At 31 December	**112,565**	120,916	**111,921**	120,679

Total Equity at 1 January	**3,019,164**	2,886,155	**3,019,162**	2,886,154
Total Equity at 31 December	**2,946,040**	3,019,164	**2,948,280**	3,019,162

Balance sheet as at 31 December 2015	**Group**		**Company**	
£000	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**
Non-current assets				
Investments held at fair value	**3,307,397**	3,338,832	**3,309,671**	3,338,910
Investment property held at fair value	**-**	4,830	**-**	4,830
Property, plant and equipment:				
Office premises	**4,540**	4,365	**4,540**	4,365
Other fixed assets	**299**	467	**299**	467
Intangible assets	**917**	1,032	**917**	1,032
Pension scheme surplus	**6,882**	5,197	**6,882**	5,197
Deferred tax asset	**1,238**	1,039	**1,238**	1,039
	3,321,273	3,355,762	**3,323,547**	3,355,840
Current assets				
Outstanding settlements and other receivables	**12,125**	15,492	**9,428**	17,013
Recoverable overseas tax	**1,483**	995	**1,483**	995
Cash and cash equivalents	**25,153**	44,102	**16,967**	40,685
	38,761	60,589	**27,878**	58,693
Total assets	**3,360,034**	3,416,351	**3,351,425**	3,414,533
Current liabilities				
Outstanding settlements and other payables	**(17,570)**	(11,984)	**(7,818)**	(10,168)
Tax payable	**(3,991)**	(3,991)	**(3,991)**	(3,991)
Bank loans	**(290,000)**	(280,000)	**(290,000)**	(280,000)
	(311,561)	(295,975)	**(301,809)**	(294,159)
Total assets less current liabilities	**3,048,473**	3,120,376	**3,049,616**	3,120,374
Non-current liabilities				
Unsecured fixed rate loan notes	**(100,000)**	(100,000)	**(100,000)**	(100,000)
Deferred tax liability	**(1,238)**	(1,039)	**(1,238)**	(1,039)
Amounts payable under long term Investment Incentive Plan	**(1,195)**	(173)	**(98)**	(173)
	(102,433)	(101,212)	**(101,336)**	(101,212)
Net assets	**2,946,040**	3,019,164	**2,948,280**	3,019,162

Equity				
Share capital	**13,160**	13,835	**13,160**	13,835
Capital reserve	**2,169,142**	2,233,915	**2,172,026**	2,234,150
Merger reserve	**645,335**	645,335	**645,335**	645,335
Capital redemption reserve	**5,838**	5,163	**5,838**	5,163
Revenue reserve	**112,565**	120,916	**111,921**	120,679
Total Equity	**2,946,040**	3,019,164	**2,948,280**	3,019,162

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

Net Asset Value per ordinary share attributable to equity holders of the parent				
Basic (£)	**£5.61**	£5.47	£5.61	**£5.47**
Diluted (£)	**£5.60**	£5.46	£5.60	**£5.46**

Cash flow statement for the year ended 31 December 2015

	Group		**Company**	
£000	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**
Cash flows from operating activities				
Profit before tax	**145,036**	228,525	**147,276**	228,524
Adjustments for:				
Gains on investments	**(85,857)**	(163,868)	**(88,054)**	(163,871)
Foreign exchange losses	**84**	2,752	**84**	2,752
Scrip dividends	**-**	256	**-**	256
Depreciation	**193**	183	**193**	183
Amortisation of intangibles	**329**	333	**329**	333
Gains on revaluation of office premises	**(175)**	(240)	**(175)**	(240)
Share based payment expense	**521**	848	**521**	848
Interest	**9,253**	7,738	**9,249**	7,738
Movement in pension scheme surplus	**(1,707)**	(1,323)	**(1,707)**	(1,323)
Operating cash flows before movements in working capital	**67,677**	75,204	**67,716**	75,200
Decrease/(Increase) in receivables	**3,367**	735	**7,585**	(619)
Increase/(Decrease) in payables	**10,067**	(1,859)	**1,037**	(1,929)
Net cash flow from operating activities before income taxes	**81,111**	74,080	**76,338**	72,652
Taxes paid	**(5,948)**	(3,676)	**(5,948)**	(3,676)
Net cash inflow from operating activities	**75,163**	70,404	**70,390**	68,976
Cash flows from investing activities				
Proceeds on disposal at fair value of investments through profit and loss	**1,325,859**	1,013,121	**1,325,859**	1,013,121
Purchases of investments at fair value through profit and loss	**(1,206,841)**	(965,415)	**(1,206,841)**	(965,415)
Purchase of plant and equipment	**(25)**	(401)	**(25)**	(401)
Purchase of other intangible assets	**(214)**	(551)	**(214)**	(551)
Net cash inflow from investing activities	**118,779**	46,754	**118,779**	46,754

Cash flows from financing activities				
Dividends paid - Equity	**(76,761)**	(61,275)	**(76,761)**	(61,275)
Unclaimed dividends returned/(redistributed)	**39**	(10)	**39**	(10)
Purchase of own shares	**(136,479)**	(30,208)	**(136,479)**	(30,208)
Bank loans and unsecured fixed rate loan notes raised	**10,000**	100,000	**10,000**	100,000
Repayment of borrowing	**-**	(100,000)	**-**	(100,000)
Interest payable	**(9,606)**	(6,036)	**(9,602)**	(6,036)
Net cash outflow from financing activities	**(212,807)**	(97,529)	**(212,803)**	(97,529)
Net cash (decrease)/increase in cash and cash equivalents	**(18,865)**	19,629	**(23,634)**	18,201
Cash and cash equivalents at beginning of year	**44,102**	27,225	**40,685**	25,236
Effect of foreign exchange rate changes	**(84)**	(2,752)	**(84)**	(2,752)
Cash and cash equivalents at end of year	**25,153**	44,102	**16,967**	40,685

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2015 or the year ended 31 December 2014, but is derived from those accounts.

Basis of accounting

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

1. Revenue

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

	Group		**Company**	
£000	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**
Income from investments *				
Listed dividends - UK	**19,464**	18,110	**19,464**	18,110
Distributions from Collective Investment Schemes	**8,161**	12,442	**8,161**	12,442
Unlisted dividends - Subsidiaries	**248**	8,000	**248**	8,000
Listed dividends - Overseas	**60,374**	51,600	**60,374**	51,600
Scrip dividends	**-**	256	**-**	256
	88,247	90,408	**88,247**	90,408
Other income				
Property rental income	**565**	710	**565**	710
Mineral rights income	**3,311**	4,548	**3,311**	4,548
Deposit interest	**17**	32	**6**	26
Other interest	**219**	15	**219**	15
Recharged costs**	**22,027**	14,404	**-**	-
	26,139	19,709	**4,101**	5,299
Total income	**114,386**	110,117	**92,348**	95,707
Investment income comprises				
Listed UK	**27,625**	30,552	**27,625**	30,552
Listed Overseas	**60,374**	51,600	**60,374**	51,600
Unlisted	**248**	8,000	**248**	8,000
Other	**-**	256	**-**	256
	88,247	90,408	**88,247**	90,408

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

**ATSL acts as paymaster company. In the previous year the staff costs for the two trading businesses, ATS and ATI, were included in the recharged costs figure noted above as these are recharged by ATSL. In the current year all costs, both staff costs and administrative costs, were recharged through ATSL resulting in a higher level of recharged costs compared to the previous year.

2. Expenses comprise £23,968,000 (£20,804,000) incurred by the Company, and Group expenses comprise £46,045,000 (£35,210,000). Taking guidance from the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” the cost of the Long Term Incentive Plan deemed to be related to the capital performance of the Company has been treated as a capital expense of £1,133,000 (£1,090,000).

3. The diluted earnings per share is calculated using the weighted average number of ordinary shares, which includes 886,173 (1,131,837) 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, all expenses have been presented as revenue items except as follows:

- 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 the investment.

- Annual bonus and Incentive Plan costs which relate to the achievement of investment manager performance objectives and total shareholder return and net asset value performance objectives are allocated against capital profits and those that relate to achievement of other corporate targets or job performance objectives against revenue profits save for those costs associated with the fixed income bond fund which are all allocated to revenue costs.

- The Directors have determined to allocate two thirds of the cost of bank indebtedness incurred to finance investment against capital profits with the balance being allocated against revenue profits**,** save for the costs associated with the fixed income bond fund which are all charged to revenue.

- There have been no related parties transactions that have taken place in the financial year that have materially affected the financial position or the performance of the Company during the year.

5. Investments in subsidiary companies (Level 3), inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs), are valued in the Group accounts at £170.7m (£172.7m) and in the Company’s accounts at £173.0m (£172.7m) 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. This includes Alliance Trust Savings Limited at £54m (£31.6m), Alliance Trust Investments Limited at £19.8m (£24.3m) and Alliance Trust Finance Limited at £0.7m (£8.9m). 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 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:

- Alliance Trust Savings - This is valued as a trading business. For the fair valuation of ATS at 31 December 2015 the Board used an external valuation to support the fair valuation. A discounted cash flow, revenue multiple and an earnings before interest tax depreciation and amortisation multiple approach have been used for comparative purposes.

- Alliance Trust Investments - This is valued as a trading business. A discounted cashflow, revenue multiple and an earning before interest, tax, depreciation and amortisation multiple valuation approach has been adopted.

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

Mineral rights are carried at fair value and are valued in the Company's accounts at £17.5m (£29.9m) 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 2015	Valuation Method	Unobservable inputs	Input	Input sensitivity +/-	Change in valuation +/-
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 margin	**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	**17,535**	Oklahoma Tax Commission multiples and Lierle US Price report (for non-producing properties).	Revenue multiple - gas	**7**	1	1,300/(1,300)
			Revenue multiple - oil	**4**	1	860/(860)
			Revenue multiple - products/condensate	**4**	1	560/(560)
			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 Alliance Trust Savings, 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 Alliance Trust Investments, 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 September 2009. Unlisted investments in private equity are stated at the valuation as determined by the Valuation Committee based on information provided by the General Partner. The General Partner's policy in valuing unlisted investments is to carry them at fair value. The General Partner will generally rely on the fund's investment manager's fair value at the last reported period, rolled forward for any cashflows. However if the General Partner does not feel the manager is reflecting a fair value they will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are:

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

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). 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.

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.

Number of Issued Shares as at 31 December 2015

526,340,897 Ordinary Shares of 2.5p

Since the year end 5,809,139 shares have been purchased for cancellation.

Report and Accounts

The Report and Accounts will be available in due course on the Company's website www.alliancetrust.co.uk/annual-results2015.htm.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 Company's Annual General Meeting will be held on Friday 6 May 2016 at 11.00 am at the Gardyne Theatre, Dundee and Angus College, Gardyne Road, Dundee, DD5 1NY

Statement of Directors' Responsibilities

The responsibility statement below has been prepared in connection with the Company's Annual Report and Accounts for the year ended 31 December 2015. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Lord Smith of Kelvin
Chairman
3 March 2016