

Registered number: SC98767

ALLIANCE TRUST SAVINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



ALLIANCE TRUST SAVINGS LIMITED

COMPANY INFORMATION

DIRECTORS	Tim Tookey Jonathan Anderson Patrick Mill Gregor Stewart
COMPANY SECRETARY	Ian Anderson
REGISTERED NUMBER	SC98767
REGISTERED OFFICE	PO BOX 164 8 West Marketgait Dundee DD1 9YP
INDEPENDENT AUDITOR	Deloitte LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2DB
BANKERS	Royal Bank of Scotland 3 High Street Dundee DD1 9LY

ALLIANCE TRUST SAVINGS LIMITED

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ALLIANCE TRUST SAVINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' report, the Strategic Report and the financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,174,000 (2015: loss £5,227,000).

The Directors do not propose the payment of a dividend (2015: Nil).

ALLIANCE TRUST SAVINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS

The Directors who served during the year, or were appointed after the year end were:

Patrick Mill
Jonathan Anderson (appointed 20 January 2016)
Gregor Stewart (appointed 20 January 2016)
Tim Tookey (appointed 19 May 2016)
Katherine Garrett-Cox (resigned 20 January 2016)
Ramsay Urquhart (resigned 20 January 2016)
John Hylands (resigned 3 May 2016)

DISCLOSURE OF INFORMATION TO THE AUDITOR

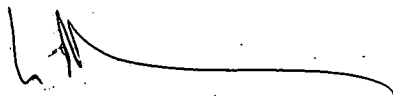
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.



.....
Ian Anderson
Secretary

21st March 2017

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

BUSINESS REVIEW

Alliance Trust Savings Limited (ATS), which is wholly owned by Alliance Trust PLC, is a financial services business that is authorised by the Prudential Regulatory Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA, under firm reference number 116115. ATS has a banking licence and operates under the banking regime. The business supports the creation and management of personal wealth giving customers the ability to research, buy and sell a wide range of investments through a range of financial products including Self Invested Personal Pensions (SIPPs), Individual Savings Accounts (ISAs) and Investment Dealing Accounts.

ATS is an execution-only platform business that operates under three customer channels: Direct, Intermediary and Partnerships. The Partnerships channel was established in April 2016 following the completion of the second tranche of the Stocktrade book of business acquisition from Brewin Dolphin agreed in 2015. The Partnership channel operates under the Stocktrade brand and provides execution-only stockbroking services to a variety of corporate clients:

The focus over 2016 has been on the integration of Stocktrade into the core business offering and the continued delivery of a new technology platform. The establishment of a standalone Board and Governance structure has given ATS the focus needed to deliver the strategic business plan and good organic growth. As a result of the Stocktrade acquisition and organic growth both customer numbers and assets under administration increased significantly over 2016.

Operating income grew during the year to £21,627k an increase of 57.9% year on year, driven by the acquisition of the Stocktrade business and organic growth from the existing Direct and Intermediary channels. ATS delivered an overall profit of £1,174k for the year. Included within the overall result are some non-recurring expenses which consisted of regulatory costs in relation to on-going operations as well as restructuring and reorganisation costs in line with the integration of the Stocktrade business. However these non-recurring expenses were more than offset by the gain on discontinued business. Accordingly the Directors of the Company are pleased to report the return of ATS to profitability, with a profit on continuing business of £1,242k before non-recurring expenses.

The completion of the acquisition of Stocktrade together with the investment in new technology were key developments for ATS and the Directors believe that the business is now well positioned to accelerate performance in 2017.

The Company has a number of key strengths which position it well in the market:

- Fixed-fee pricing – ATS has a simple fixed-fee structure.
- Investment choice – one of the broadest ranges of investments in the platform market.
- Banking licence – ATS utilises the banking licence to generate net interest margin.
- Alliance Trust – ATS has the backing of a strong parent, independent of banks and life company product providers.
- Diversity of distribution channels – ATS now operates three channels: Direct, Intermediary and Partnerships.

FUTURE DEVELOPMENTS

Looking ahead over 2017 it is expected the new platform will be launched for new business in the Intermediary channel and subsequently the existing Intermediary book of clients will be migrated onto this platform. The new technology is planned to be implemented in the Direct channel along with a new and enhanced proposition. The foundations established in 2016 as a standalone business and leading into 2017 set ATS up to accelerate the growth of the business.

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's risk management strategy is to identify potential events that may impact the business and to manage these within the risk appetite set by the Board. The principal risks facing ATS can be categorised into strategic, financial, operational and conduct risks, as summarised below:

Strategic risk

Strategic risk is considered to be those risks that could impact the achievement of the strategic plan, with specific focus on competitor behaviour, market position, product proposition and external threats. This risk is managed through the ongoing strategic planning process and risk assessment that allows the Company to react and respond to significant strategic threats.

Financial risk

The Company is exposed to a variety of financial risks namely: credit risk, interest rate risk and liquidity risk. The Board sets the financial risk appetite for the Company, including relevant policies and risk measure limits. Financial risk is regularly monitored by the Asset and Liability Committee to ensure the Company remains compliant with its regulatory capital and liquidity obligations and its internal risk appetite levels.

Credit risk arises through counterparty risk with other financial institutions where they have an obligation to satisfy a commitment or obligation at a future date. Due diligence is performed on each counterparty with approved institutions subject to a minimum credit rating, restrictions on maturity dates and concentration limits.

Interest rate risk is generated through holding interest bearing assets and liabilities, mainly as a result of accepting customer deposits which arise as a consequence of dealing and investment activity. Interest rate risk is managed by setting limits on the maximum permitted sensitivity to both changes in the valuation of the Company's equity and to the adverse impact to earnings given changes to interest rates.

Liquidity risk primarily arises as a result of accepting customer deposits, all of which are available on-demand to customers. Liquidity risk is managed by setting limits on the minimum amount of liquid assets permitted and on the nature of the Company's funding structure.

Operational risk

Operational risk is defined as the risks arising from people, processes, systems or external events. Operational risks arise as a consequence of the nature of the underlying business and require a strong control environment to exist to limit the exposures across the Company. This is achieved using a Risk and Control Self Assessment process which ranks the risks and creates a control oversight process. This is supplemented through the oversight provided by business management and the Risk & Compliance function.

Conduct risk

Conduct risk is defined as the risk that detriment is caused to customers due to inappropriate judgement in the execution of the products and services provided by the Company. This risk extends to the nature and performance of the products offered as well as the nature of their distribution and appropriateness for the defined client base. Conduct risk management is at the heart of the business and is included within the product proposition development and root cause analysis processes when analysing and reviewing customer complaints.

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

KEY PERFORMANCE INDICATORS

A number of key performance indicators are used to measure the Company's progress over time and are noted below. These highlight considerable progress with a significant increase in assets under administration and client accounts, in addition to an uplift in the transaction volumes in the year. The total number of customer accounts has also increased significantly from 31 December 2015, reflecting the on-boarding of Stocktrade Partnership clients and organic growth.

	2016	2015	% change
Assets under administration (£bn)	13.6	8.5	+60%
Customer accounts	110,962	84,746	+31%
Number of trades	673,486	539,222	+25%
Operating income (£000)	21,627	13,695	+58%
Profit / (loss) on continuing business before non-recurring expenses (£000)	1,242	(3,153)	-
Profit / (loss) before tax (£000)	1,174	(5,227)	-

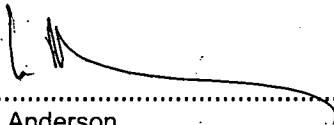
GOING CONCERN

The Company's business activities together with any factors likely to affect its future development and position are set out above.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future.

On the basis of their assessment of the Company's financial position, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Company's use of the going concern basis is discussed in note 1 to the financial statements.

This report was approved by the board on 21st March 2017 and signed on its behalf.


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Ian Anderson
Secretary

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED

We have audited the financial statements of Alliance Trust Savings Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

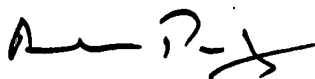
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Partridge (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

21st March 2017

ALLIANCE TRUST SAVINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

		Continuing 2016 £000	Discontinued 2016 £000	Total 2016 £000	Continuing 2015 £000	Discontinued 2015 £000	Total 2015 £000
	Note						
Interest receivable	8	4,288	-	4,288	2,691	-	2,691
Interest payable		(75)	-	(75)	(173)	-	(173)
Net interest income		4,213	-	4,213	2,518	-	2,518
Savings and pension plan income	3	16,903	-	16,903	10,692	-	10,692
Other income		511	-	511	485	-	485
Operating income		21,627	-	21,627	13,695	-	13,695
Administrative expenses		(20,385)	-	(20,385)	(16,848)	-	(16,848)
Non-recurring expenses:							
Restructuring and reorganisation		(1,058)	-	(1,058)	-	-	-
Other		(726)	-	(726)	-	-	-
Total administrative expenses		(22,169)	-	(22,169)	(16,848)	-	(16,848)
Loss on operating activities before taxation		(542)	-	(542)	(3,153)	-	(3,153)
Gain / (loss) on discontinued business	19	-	1,716	1,716	-	(2,074)	(2,074)
Profit / (loss) on ordinary activities before taxation	4	(542)	1,716	1,174	(3,153)	(2,074)	(5,227)
Other comprehensive income for the year, net of tax		-	-	-	-	-	-
Total comprehensive income for the year		(542)	1,716	1,174	(3,153)	(2,074)	(5,227)
Profit / (loss) on continuing business before non-recurring expenses		1,242			(3,153)		

The notes on pages 12 to 33 form part of these financial statements.

ALLIANCE TRUST SAVINGS LIMITED


BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible fixed assets	10	37,718	16,654
Tangible fixed assets	11	88	80
		37,806	16,734
Current assets			
Investments			
- Cash at bank and balances with the Bank of England	12	790,596	30,116
- Loans and advances to credit institutions	13	70,000	180,000
- Debt securities	14	254,765	436,704
Debtors – amounts falling due within one year	15	23,607	10,026
		1,138,968	656,846
Creditors – amounts falling due within one year	16	(1,106,288)	(619,327)
Net current assets		32,680	37,519
Net assets		70,486	54,253
Capital and reserves			
Called up share capital	17	107,941	92,941
Profit and loss account		(37,455)	(38,688)
Total Shareholders' Funds		70,486	54,253

The notes on pages 12 to 33 form part of these financial statements.

The financial statements of Alliance Trust Savings Limited (registered number SC98767) on pages 8 to 33 were approved by the Board on 21st March 2017 and were signed on its behalf by:


 Patrick Mill
 Director

ALLIANCE TRUST SAVINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Called up share capital £000	Retained earnings £000	Total £000
Balance as at 1 January 2015		55,841	(33,533)	22,308
Loss for the year			(5,227)	(5,227)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(5,227)	(5,227)
Reserves impact of charge from parent for Long Term Incentive Plan		-	72	72
Proceeds from shares issued		37,100	-	37,100
Total transactions with owners, recognised directly in equity		37,100	72	37,172
Balance as at 31 December 2015		92,941	(38,688)	54,253
Balance as at 1 January 2016		92,941	(38,688)	54,253
Profit for the year			1,174	1,174
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,174	1,174
Reserves impact of charge from parent for Long Term Incentive Plan	7	-	59	59
Proceeds from shares issued	17	15,000	-	15,000
Total transactions with owners, recognised directly in equity		15,000	59	15,059
Balance as at 31 December 2016		107,941	(37,455)	70,486

ALLIANCE TRUST SAVINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Net cash from operating activities	24	480,877	146,898
Net cash generated from operating activities		480,877	146,898
Cash flow from investing activities			
Purchase of intangible fixed assets		(27,706)	(7,830)
Purchase of tangible fixed assets		(77)	(75)
Purchase of financial investments		(174,661)	(125,094)
Net cash flow from investing activities		(202,444)	(132,999)
Cash flow from financing activities			
Proceeds from issue of ordinary share capital		15,000	37,100
Net cash flow from financing activities		15,000	37,100
Net increase in cash and cash equivalents		293,433	50,999
Cash and cash equivalents at the beginning of the year		521,726	470,727
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		815,159	521,726
Cash and cash equivalents consists of:			
Cash at bank and balances with the Bank of England	12	790,148	30,116
Loans and advances to credit institutions	13	-	180,000
Debt securities	14	25,011	311,610
Cash and cash equivalents		815,159	521,726

The notes on pages 12 to 33 form part of these financial statements.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

General information

Alliance Trust Savings Limited is a private limited company limited by shares and is incorporated in the United Kingdom. The address of its registered office is PO BOX 164, 8 West Marketgait, Dundee, DD1 9YP.

The financial statements are prepared in Pound Sterling which is the functional currency of the Company.

Basis of preparation of financial statements and statement of compliance

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements of Alliance Trust Savings Limited are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

Summary of significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current year and the preceding year.

Going concern

In assessing the Company's going concern position as at 31 December 2016, the Directors have considered a number of factors including the Company's capital structure, its funding and liquidity position and its future financial performance. In addition, the Directors have performed stress tests on capital and liquidity in line with requirements established by the Bank of England and these provide assurance that the Company has sufficient capital and liquidity to operate under stressed conditions.

The assessment concluded that, for the foreseeable future, the Company has sufficient capital to support its operations and has a funding and liquidity base which is strong, robust and well managed. As a result of the assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully in line with its business model and stated strategic aims despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Income

Savings and pension plan income primarily comprise i) financial services fees that are earned as services are provided, which might include, for example, periodic account fees where income is recognised as the service is performed using the percentage of completion method and ii) financial services fees that are earned on the execution of a significant act, which might include fees received on the execution of a trade on behalf of a client where income is recognised when the significant act is performed.

Annual, quarterly and inclusive account fees are accounted for on a time apportioned basis.

Interest

Interest income is recognised in the Statement of Comprehensive Income as it accrues.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

Debt securities

Debt securities with fixed maturity dates are included in the Balance Sheet at a cost adjusted valuation for the amortisation of premiums or discounts arising on purchase which are taken to interest receivable in the Statement of Comprehensive Income, over the period to redemption. Debt securities can be used as both a source of regulatory liquidity and as a source of income. They are purchased with the intention of being held to maturity. Where securities are sold before the maturity date any gain or loss on sale is recognised and noted separately in the Statement of Comprehensive Income. In accordance with UK GAAP, a provision will be made for any impairment.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are undiscounted under FRS 102.

Intangible fixed assets and amortisation

Intangible fixed assets comprise the Stocktrade book of business and directly attributable integration costs and technology assets developed and used to facilitate the services provided to the Company's customers and to enable the Company to comply with its regulatory and accounting requirements. These are stated at cost less amortisation and any recognised impairment loss. Amortisation is provided to write off the cost of intangible fixed assets by equal instalments over their useful economic lives from the month after purchase or completion. An impairment review is carried out if there is any indication of impairment and a provision will be made where required.

Technology development assets are expected to have a useful life up to a maximum period of 10 years. Enhancements to the Company's technology assets that match the above criteria and have expected future benefits are capitalised. The amortisation rate applied to the Company's strategic client platform is such as to write off the cost over the estimated useful life of 10 years. The amortisation rate applied to the book of business is such as to write off the cost over the estimated useful life of 10 years.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any recognised impairment losses. They are depreciated so as to write off the cost of each asset over its estimated useful life.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment - 3 years

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income and included within the operating profit.

Impairment of non-financial assets

At each Balance Sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Goodwill (if any) is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(a) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(b) Financial liabilities

Basic financial liabilities, including customer deposits, trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(c) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include deposits held on demand with banks (including the Bank of England) and other short-term highly liquid investments with original maturities of three months or less.

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pensions

Alliance Trust PLC operates a defined contribution scheme and a defined benefit scheme. The defined benefit scheme closed to new members in 2005 and ceased accrual in 2011. Previously all employees were employed by a fellow subsidiary of Alliance Trust PLC, being Alliance Trust Services Limited, and that company was the sole participating employer in the defined benefit scheme. From 1 January 2016 all staff were employed by Alliance Trust Savings Limited. The obligations of the Company and previously of Alliance Trust Services Limited in relation to the defined benefit scheme are guaranteed by Alliance Trust PLC and all costs of the scheme are met by Alliance Trust PLC. Full disclosure of the pension scheme arrangements is included within the financial statements of Alliance Trust PLC.

Share based payments

Alliance Trust PLC operated three share based payment schemes during the year, the All Employee Share Ownership Plan (AESOP) which ceased in June 2016, the Long Term Incentive Plan (LTIP) and the Deferred Bonus Award. The cost is allocated to the Company where appropriate and is recognised within administrative expenses. Full disclosure of the schemes is included within the financial statements of Alliance Trust PLC and the proportion recognised within the financial statements of the Company has been disclosed in note 7.

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Critical judgements in applying the Company's accounting policies

(i) Acquisition of Stocktrade book of business (note 23)

In May 2015 the Company agreed to acquire the Stocktrade book of business from Brewin Dolphin. Recognition of the acquisition required judgement as it was agreed that the book of business would be transferred to the Company in two phases; effectively splitting the acquisition into two distinct events from a regulatory and control perspective. The Private Client book of business has been operated and controlled by the Company from 28 September 2015, being the phase one acquisition date, when these clients transitioned onto the Company's terms and conditions and migrated onto the Company's platform. Partnership clients did not migrate to the Company until 29 April 2016, being the phase two acquisition date, when these clients transitioned onto the Company's terms and conditions and the Company assumed responsibility for administering these clients on its platform. Following review of the transition of control of Stocktrade the Directors are satisfied that the acquisition has been appropriately reflected in the financial statements.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(b) Key accounting estimates and assumptions

(ii) Assessment of estimated useful economic lives of intangible assets (note 10)

The Company is making a significant investment in the development of a new strategic client platform and has acquired the Stocktrade book of business from Brewin Dolphin. The Company has a policy for capitalising and amortising such intangible assets, which the Directors have reviewed and approved, ensuring they are treated in accordance with FRS 102. It is estimated that the new strategic client platform, GBST Composer, and the Stocktrade book of business will provide future economic benefits to the Company for a period of at least ten years. As a result although future economic benefit and the useful lives of these intangible assets cannot be guaranteed related expenditure has been capitalised and is being amortised over ten years.

(iii) Provisions for other liabilities (note 19)

Provision is made for taxation on unauthorised payments made from the Full SIPP business whilst under the Company's administration, client detriment and claims against the Company and for the Financial Services Compensation Scheme (FSCS) Levy. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the calculations used to establish net present value of the obligations require management's judgement.

3. SAVINGS AND PENSION PLAN INCOME

	2016 £000	2015 £000
Annual and periodic fees earned as services are provided	9,458	6,988
Transaction fees earned on the execution of client trades	7,445	3,704
	<u>16,903</u>	<u>10,692</u>

4. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit / (loss) on ordinary activities before taxation is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the Company	69	100
Amortisation of intangible fixed assets	<u>1,461</u>	<u>523</u>

The charge for amortisation of intangible fixed assets and depreciation of tangible fixed assets is included in the administrative expenses line item in the Statement of Comprehensive Income.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. AUDITOR'S REMUNERATION

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual report and financial statements	64	43
Fees payable to the Company's auditor for other services: Audit related assurance services	69	59

The other audit related assurance services provided by the auditor, Deloitte LLP, were in relation to the provision of a Client Assets Report to the Financial Conduct Authority. In relation to the prior year other audit related assurance services comprise the provision of a Client Assets Report to the Financial Conduct Authority, for which fees of £35,000 were charged to the Company, and the completion of an audit of regulatory returns for the Company, for which the fees of £24,000 were charged to the Company.

6. STAFF COSTS

In 2015 all staff were employed by Alliance Trust Services Limited, a fellow subsidiary of Alliance Trust PLC. Alliance Trust Savings Limited paid a recharge to Alliance Trust Services Limited in respect of the staff costs. From 1 January 2016 Alliance Trust Savings Limited directly employed all staff.

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	6,982	5,494
Social security costs	894	606
Other pension costs	749	645
	<u>8,625</u>	<u>6,745</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2016 No.	2015 No.
Full time	225	157
Part time	15	10
	<u>240</u>	<u>167</u>

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. STAFF COSTS (CONTINUED)

DIRECTORS' REMUNERATION

	2016 £000	2015 £000
Directors' emoluments	447	399
Amounts receivable under long term incentive schemes	6	62
Contributions to money purchase pension schemes	25	27
	<u>478</u>	<u>488</u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £258,889 (2015: £401,408), and Company pension contributions of £25,000 (2015: £19,750) were made to a money purchase scheme on their behalf.

Retirement benefits are not accruing for any Directors (2015: Nil) for the defined benefit scheme but were accruing for one Director (2015: two) for the money purchase scheme.

7. SHARE BASED PAYMENTS

Employees were involved in four (2015: three) share based payment schemes during the year. The following charges were recorded in the Statement of Comprehensive Income in the year:

	2016 £000	2015 £000
All Employee Share Ownership Plan (AESOP)	-	-
Long Term Incentive Plan (LTIP)	4	72
Deferred Bonus Award	-	-
Cash-settled incentive schemes	-	-
	<u>4</u>	<u>72</u>

All Employee Share Ownership Plan (AESOP)

All costs of the AESOP were borne by Alliance Trust PLC, therefore the charge to the Statement of Comprehensive Income in the year was £Nil (2015: £Nil). The AESOP scheme closed to all employees from 30 June 2016.

Long Term Incentive Plan (LTIP)

The LTIP annual schemes are discretionary plans for Executive Directors and Senior Managers granting matching awards based on firstly the proportion of annual bonus applied by participants in the purchase of shares and secondly for the grant of performance awards. Both awards vest either in full or in part at the end of a three year performance period subject to meeting pre-defined targets. There was no new LTIP scheme for the year to 31 December 2016, with all active schemes relating to prior years. Alliance Trust PLC covers the costs of the LTIP schemes through a corresponding credit to retained earnings (per Section 26 of FRS 102).

Deferred Bonus Award

The Deferred Bonus Award is a discretionary plan for FCA code staff, where 50% of an annual bonus award is deferred for 3 years. Shares are awarded up to the value of the deferred bonus and vest in full or in part, at the end of a three year holding period, subject to there being no material misstatement or fraud in the results of the year that the grant relates to. There was no new Deferred Bonus Award scheme for the year to 31 December 2016, with all active schemes relating to prior years.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. SHARE BASED PAYMENTS (CONTINUED)

Cash-settled incentive schemes

The cash-settled incentive schemes are annual discretionary plans for Executive Directors and Senior Managers granting a cash performance award. The performance award vests either in full or in part at the end of a three year performance period subject to meeting pre-defined targets. The first scheme was launched during the year, commencing on 1 January 2016. Based on the performance in the first year no charge has been recorded in the Statement of Comprehensive Income in the year.

8. INTEREST RECEIVABLE

	2016 £000	2015 £000
Certificates of Deposit / UK Treasury Bills	2,344	1,662
Deposits with financial institutions	644	1,029
Balances with the Bank of England	1,300	-
	4,288	2,691

9. TAXATION

a) Tax on profit / (loss) on ordinary activities

	2016 £000	2015 £000
Current tax:		
UK corporation tax on loss of the year	-	-
Total current tax (note 9(b))	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on profit / (loss) on ordinary activities	-	-

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. TAXATION (CONTINUED)

Factors affecting tax charge for the year

b) Reconciliation of tax charge

The tax assessed for 2016 continues to be lower than the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit / (Loss) on ordinary activities before tax	1,174	(5,227)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	235	(1,058)
Effects of:		
Expenses not deductible for tax purposes	5	84
Losses not recognised as a deferred tax asset	-	924
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	266	50
Utilisation of brought forward tax losses	(506)	-
Total tax charge for the year	-	-

c) Tax rate changes

The Company has not recognised deferred tax assets of £5,752,877 (2015: £6,294,378) arising as a result of trading losses, decelerated capital allowances and short term timing differences. These assets will only be utilised when the Company has sufficient profits chargeable to corporation tax in future accounting periods. Due to the uncertainty of the timing of such taxable profits and the fact the Company continues to make an operating loss on continuing activities, the deferred tax asset has not been recognised.

d) Factors that may affect the future tax charge

The Finance Act 2015 received Royal Assent on 18 November 2015 and provided for a reduction in the rate of corporation tax from 20% to 19% with effect from 1 April 2017 and by a further 1% to 18% from 1 April 2020. A planned reduction in the rate to 17% has yet to be substantively enacted.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. INTANGIBLE FIXED ASSETS

	Books of business £000	Technology development costs £000	Total £000
Cost			
At 1 January 2016	5,581	16,912	22,493
Additions	10,298	12,227	22,525
At 31 December 2016	15,879	29,139	45,018
Amortisation			
At 1 January 2016	130	5,709	5,839
Charge for the year	1,149	312	1,461
At 31 December 2016	1,279	6,021	7,300
Net book value			
At 31 December 2016	14,600	23,118	37,718
At 31 December 2015	5,451	11,203	16,654

The Company's strategic client platform, GBST Composer, is included within technology development costs and has a carrying value of £12,167,000 (2015: £7,580,000), which will be amortised over the estimated useful life of the asset, being 10 years.

The books of business, which relates to the Company's acquisition of Stocktrade and directly attributable costs of integration, is held at cost less accumulated amortisation. The amortisation rate applied to the books of business is such as to expense the costs over the estimated useful life of 10 years. Further information is contained in note 23.

In relation to the Cash Flow Statement, the total increase in intangible assets in the year equates to £27,706,000 (2015: £7,830,000). This includes £10,298,000 relating to the books of business and £12,227,000 of technology development costs and £5,181,000 relating to the deferred consideration payable for the Stocktrade Private Clients book of business which was capitalised and held as a creditor due within one year as at 31 December 2015 and was subsequently paid during the year.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. TANGIBLE FIXED ASSETS

	Computer equipment £000
Cost	
At 1 January 2016	350
Additions	77
	<hr/>
At 31 December 2016	427
Depreciation	
At 1 January 2016	270
Charge for the year	69
	<hr/>
At 31 December 2016	339
Net book value	
At 31 December 2016	88
	<hr/>
At 31 December 2015	80
	<hr/>

12. CASH AT BANK AND BALANCES WITH THE BANK OF ENGLAND

	2016 £000	2015 £000
Cash at bank	31,418	30,116
Balances held with the Bank of England other than mandatory reserves	758,730	-
Included within cash and cash equivalents	790,148	30,116
Mandatory reserve deposits held with the Bank of England*	448	-
	<hr/>	<hr/>
	790,596	30,116
	<hr/>	<hr/>

*Mandatory reserve deposits are not available for day-to-day operations and are non-interest bearing.

13. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	2016 £000	2015 £000
Loans and advances by original maturity repayable:		
Less than three months	-	180,000
Between three and six months	-	-
Between six months and one year	70,000	-
	<hr/>	<hr/>
	70,000	180,000
	<hr/>	<hr/>

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. DEBT SECURITIES

	2016 £000	2015 £000
Amortised cost at the start of the year	436,704	273,887
Additions	1,205,717	1,678,540
Redemptions	(1,388,464)	(1,515,902)
Amortisation adjustment	808	179
Amortised cost at the end of the year	<u>254,765</u>	<u>436,704</u>

At 31 December 2016 the Company held UK Government Securities (Treasury Bills) with a cost value of £Nil (2015: £260,893,000) and market value of £Nil (2015: £260,889,000). At 31 December 2016 Debt Securities comprise Certificates of Deposits, the market value of which was not significantly different from amortised cost of £254,765,000 (2015: £175,811,000).

Age analysis of debt securities

	2016 £000	2015 £000
Certificates of Deposit:		
Less than three months	25,011	160,772
Between three and six months	-	15,039
Between six months and one year	229,754	-
UK Government Securities – Treasury Bills		
Less than three months	-	150,838
Between three and six months	-	110,055
Between six months and one year	-	-
	<u>254,765</u>	<u>436,704</u>

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. DEBTORS:

Amounts falling due within one year

	2016 £000	2015 £000
Interest receivable	274	245
Sundry debtors	3,970	1,323
Settlement debtors	17,526	7,952
Prepayments and accrued income	1,837	506
	23,607	10,026

16. CREDITORS:

Amounts falling due within one year

	2016 £000	2015 £000
Customer deposits	1,080,864	591,233
Settlement creditors	19,016	13,757
Provisions for other liabilities (note 19)	2,101	3,000
Sundry liabilities	1,703	3,058
Deferred consideration for Stocktrade acquisition	-	5,181
Accruals and deferred income	2,604	3,098
	1,106,288	619,327

17. SHARE CAPITAL

	Number 000s	£000
Allotted, called up, issued and fully paid		
At 31 December 2015	92,941	92,941
Issued during the year	15,000	15,000
At 31 December 2016	107,941	107,941

On 17 March 2016, 15,000,000 ordinary shares were issued with an aggregate nominal value of £15,000,000.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. CONTINGENT LIABILITIES

The Directors have assessed all legal claims and actions against the Company as at 31 December 2016 and have accrued associated taxation and costs in respect of these claims, including legal costs, which represent the Directors' best estimate of the potential exposure to the Company. These are included within notes 16 and 19. Where the likelihood of success of claims or actions against the Company has been assessed by the Directors to be remote, or if there is insufficient evidence to allow a claim to be quantified, no provision is recognised.

Following their assessment of the claims and actions made against the Company, it is the opinion of the Directors that there are no significant contingent liabilities which require disclosure as at 31 December 2016 (2015: £Nil).

19. PROVISIONS FOR OTHER LIABILITIES

The Company had the following provisions during the year:

	Provision for restructuring	Provision for claims and legal fees on Full SIPP Business	Provision for client claims	FSCS Levy	Total
	£000	£000	£000	£000	£000
At 1 January 2016	-	2,312	688	-	3,000
Additions during the year	338	-	391	289	1,018
Released	-	(1,373)	(343)	-	(1,716)
Amount charged against the provision	-	(151)	(50)	-	(201)
At 31 December 2016	338	788	686	289	2,101

Provision for restructuring

A restructuring of the business is currently ongoing and a provision is held to cover redundancy payments and restructuring expenses. Costs of £338,000 (2015: £Nil) were provided for in accordance with the requirements of FRS 102. It is anticipated that the provision will be fully utilised by 31 December 2017.

Provision for claims and legal fees on Full SIPP Business

In January 2013, Alliance Trust Savings Limited completed the sale of the Full SIPP Business to Curtis Banks. A provision is recognised for legal fees and potential warranty claims from Curtis Banks in respect of taxation on unauthorised payments made from the Scheme whilst under the Company's administration. During the year legal costs were charged against the provision and following updated legal advice it was agreed that the provision balance should be revised downwards to £788,000, resulting in a release of £1,373,000 being recognised in the Statement of Comprehensive Income. In addition, £343,000 of provisions relating to Full SIPP client claims held as at 31 December 2015 were released during the year, providing a total provision release of £1,716,000. The majority of the provision is expected to be fully utilised by 31 December 2017, with the full balance being utilised within two years of the Balance Sheet date. Although uncertainty exists, there is currently no indication that the costs in relation to settling the claim could be higher and the provision held is a best estimate.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. PROVISIONS FOR OTHER LIABILITIES (CONTINUED)

Provision for client claims

A provision is recognised in respect of potential client claims arising from items which detriment clients. The majority of the provision is expected to be fully utilised by 31 December 2017, with the full balance being utilised within two years of the Balance Sheet date.

Financial Services Compensation Scheme (FSCS) Levy

In common with all regulated UK deposit takers, the Company pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims. The FSCS levy consists of two parts - a management expenses levy and a compensation levy. The management expenses levy covers the cost of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it.

The Directors understand that presently the FSCS has met, or will meet, claims by way of loans received from the Bank of England. To recover the interest costs the FSCS charge a management expense levy to all UK deposit takers, including the Company. Based on notifications the Company has received from the regulator, the Company has recognised a provision in this years results to provide the full potential for interest up to and including all amounts due for the 2016/17 scheme year.

In addition to recovering interest costs the FSCS will also look to recover any capital balances that are not felt to be recoverable. Based on notifications from the regulator, the Company has therefore, also recognised a provision to provide for our share of this repayment for the 2015/16 scheme year. As at 31 December 2015 the provision was borne by another Group company, Alliance Trust Services Limited, with a recharge occurring where appropriate, this arrangement ceased from 1 January 2016. As at 31 December 2016 a provision of £289,000 has been recognised and held for the Company's calculated liability.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Parent Company is Alliance Trust PLC, incorporated in Scotland, whose Report and Accounts may be obtained from its registered office at 8 West Marketgait, Dundee, DD1 1QN or online at www.alliancetrust.co.uk.

The Company has complied with its obligations under Capital Requirements Directive IV (CRD IV) governance and remuneration disclosure by Alliance Trust PLC publishing the information on a consolidated basis for the Group. This information can be found in the Annual Report of Alliance Trust PLC, which is available online at www.alliancetrust.co.uk.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL INSTRUMENTS

- (i) The categories of financial assets and financial liabilities, at the reporting date, in total, are as below:

	2016		2015	
	£000	£000	£000	£000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets that are debt instruments measured at amortised cost				
Debt securities				
- UK Government securities Treasury Bills (note 14)	-	-	260,893	260,889
- Certificates of Deposits (note 14)	254,765	254,765	175,811	175,811
- Cash at bank and balances with the Bank of England (note 12)	790,596	790,596	30,116	30,116
Loans and advances to credit institutions (note 13)	70,000	70,000	180,000	180,000
Settlement debtors (note 15)	17,526	17,526	7,952	7,952
Other debtors (note 15)	6,081	6,081	2,074	2,074
	1,138,968	1,138,968	656,846	656,842
Financial Liabilities that are debt instruments measured at amortised cost				
Customer deposits (note 16)	1,080,864	1,080,864	591,233	591,233
Settlement creditors (note 16)	19,016	19,016	13,757	13,757
Provisions for other liabilities (note 16)	2,101	2,101	3,000	3,000
Sundry liabilities (note 16)	1,703	1,703	3,058	3,058
Deferred consideration for Stocktrade acquisition (note 16)	-	-	5,181	5,181
Accruals and deferred income (note 16)	2,604	2,604	3,098	3,098
	1,106,288	1,106,288	619,327	619,327

Financial Assets that are debt instruments measured at amortised cost

(a) Classification of financial assets that are debt instruments measured at amortised cost

Cash and cash equivalents include UK Government Securities Treasury Bills, Cash at Bank and balances with the Bank of England, Certificates of Deposits and loans and advances to credit institutions, being short-term highly liquid investments, where original maturities are three months or less.

Debtors include settlement debtors arising out in the normal operations of the business of the Company. Other debtors include other short term receivables i.e interest receivable and sundry debtors. Other receivables generally arise from transactions outside the usual operating activities of the Company. They represent undiscounted amounts of cash expected to be received (within a year).

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial assets that are debt instruments measured at amortised cost

As shown above, the carrying amounts of financial assets and liabilities measured at amortised cost are assumed to be the same as their fair values due to their short-term nature except for UK Government Securities Treasury Bills. The Company held no UK Government Securities Treasury Bills as at 31 December 2016.

(c) Impairment and risk exposure

There were no impaired receivables. Information about the impairment of financial assets, their credit quality and the Company's exposure to credit risk can be found in the accounting policy note for financial instruments and 21 (iii) below.

Financial liabilities measured at amortised cost

The carrying amounts of financial liabilities shown above are assumed to be the same as their fair values due to their short-term nature.

(ii) Fair value methodology

The carrying amounts of financial assets and liabilities are assumed to be the same as their fair values due to their short-term nature except UK Government Securities Treasury Bills. UK Government Securities Treasury Bills have been measured at amortised cost. The Company held no UK Government Securities Treasury Bills as at 31 December 2016. Hence, fair value methodology has not been disclosed here.

(iii) Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and market risk (including interest rate risk). The Company does not have a view of the direction of financial markets and as a general principle does not speculate on markets to generate income.

MARKET RISK

Market risk embodies the potential for both losses and gains arising from changes in market prices, such as interest rates or foreign exchange rates. The Board sets the risk appetite to market risk and approves the Market Risk Policy which contains risk measures for interest rate risk and foreign exchange risk.

Interest rate risk is managed by setting limits on the maximum permitted sensitivity to both changes in the valuation of the Company's equity and to the adverse impact to earnings given changes to interest rates. The Company also considers Interest Rate Risk in the Banking Book (IRRBB) as part of its Internal Capital Adequacy Assessment Process (ICAAP).

Foreign exchange risk arises as Partnership clients are permitted to hold deposits in US Dollars and Euros. The total value of these deposits in equivalent Pound Sterling was £29.6m (2015: £Nil). Foreign exchange translation risk is fully hedged by matching the deposits with investments in the same currency.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL INSTRUMENTS (CONTINUED)

Asset & liability analysis by interest rate re-pricing frequency

As at 31 December 2016	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	Non-interest bearing £000	Total £000
Assets					
Intangible assets	-	-	-	37,718	37,718
Tangible assets	-	-	-	88	88
Cash at bank and balances with the Bank of England	790,596	-	-	-	790,596
Loans and advances to credit institutions	45,000	-	25,000	-	70,000
Debt securities	64,967	115,015	74,783	-	254,765
Other assets	-	-	-	23,607	23,607
Total assets	900,563	115,015	99,783	61,413	1,176,774
Liabilities					
Customer deposits	1,080,864	-	-	-	1,080,864
Other liabilities	-	-	-	25,424	25,424
Shareholders' funds	-	-	-	70,486	70,486
Total liabilities	1,080,864	-	-	95,910	1,176,774
Positive (negative) interest rate sensitivity gap	(180,301)	115,015	99,783	(34,497)	
Cumulative positive gap	(180,301)	(65,286)	34,497	Nil	
As at 31 December 2015	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	Non-interest bearing £000	Total £000
Assets					
Intangible assets	-	-	-	16,654	16,654
Tangible assets	-	-	-	80	80
Cash at bank and balances with the Bank of England	30,116	-	-	-	30,116
Loans and advances to credit institutions	180,000	-	-	-	180,000
Debt securities	311,610	125,094	-	-	436,704
Other assets	-	-	-	10,026	10,026
Total assets	521,726	125,094	-	26,760	673,580
Liabilities					
Customer deposits	591,233	-	-	-	591,233
Other liabilities	-	-	-	28,094	28,094
Shareholders' funds	-	-	-	54,253	54,253
Total liabilities	591,233	-	-	82,347	673,580
Positive (negative) interest rate sensitivity gap	(69,507)	125,094	-	(55,587)	
Cumulative positive gap	(69,507)	55,587	55,587	Nil	

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The Board sets the risk appetite to credit risk and approves the Wholesale Credit Risk Policy which contains minimum standards on credit rating, size of exposure and maturity. All financial instruments must be placed with an investment grade institution (Baa or above according to Moody's). The Asset and Liability Committee regularly reviews the financial strength of counterparties and assesses the regulatory capital impact of credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. None of the financial assets are either past due or show any sign of impairment.

At the reporting date, the Company's financial assets exposed to credit risk were as follows:

Credit rating of cash at bank and balances with the Bank of England, loans and advances to credit institutions, Certificates of Deposits and UK Treasury Bills	2016 £000	2015 £000
Aa1	804,973	275,987
Aa2	64,970	102,197
Aa3	169,827	23,000
A1	65,475	99,710
A2	5,003	133,969
A3	5,113	11,957
Baa	-	-
Total	1,115,361	646,820
Weighted average maturity	50.0 days	57.9 days

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

Alliance Trust Savings Limited holds a banking licence and therefore is a full scope regulated firm and must comply with the liquidity requirements set by the PRA as prescribed under CRD IV, including the Liquidity Coverage Ratio (LCR) requirement. The Company has complied with all regulatory liquidity requirements in-force throughout the reporting period.

Annually, management of the Company completes an Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP is the process under which management of the Company assesses the amounts and type of liquid resources held and whether they are adequate to cover the nature and level of liquidity risks to which the Company is exposed.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL INSTRUMENTS (CONTINUED)

Liability analysis by maturity

As at 31 December 2016	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	1 year to 5 years £000	Non-defined maturity £000	Total £000
Customer deposits	1,080,864	-	-	-	-	1,080,864
Settlement creditors	19,016	-	-	-	-	19,016
Provisions for other liabilities	1,024	788	289	-	-	2,101
Sundry liabilities	1,703	-	-	-	-	1,703
Accruals and deferred income	2,604	-	-	-	-	2,604
Shareholders' funds	-	-	-	-	70,486	70,486
Total liabilities	1,105,211	788	289	-	70,486	1,176,774

As at 31 December 2015	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	1 year to 5 years £000	Non-defined maturity £000	Total £000
Customer deposits	591,233	-	-	-	-	591,233
Settlement creditors	13,757	-	-	-	-	13,757
Provisions for other liabilities	688	2,312	-	-	-	3,000
Sundry liabilities	3,058	-	-	-	-	3,058
Accruals and deferred income	3,098	-	-	-	-	3,098
Deferred consideration for Stocktrade acquisition	-	5,181	-	-	-	5,181
Shareholders' funds	-	-	-	-	54,253	54,253
Total liabilities	611,834	7,493	-	-	54,253	673,580

(iv) Capital management

The Company is authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and must comply with the capital requirements set by the PRA and FCA under CRD IV.

In accordance with CRD IV, ATS must hold a minimum level of regulatory capital to adequately cover the risks to which it is or might be exposed and to comply with the overall financial adequacy rule. The Company has complied with these requirements throughout the reporting period. To meet the minimum regulatory capital requirements, the Company holds own funds in the form of Tier 1 Capital. Tier 1 Capital comprises £107.9m (2015: £92.9m) of Ordinary Share Capital. Deductions to Tier 1 Capital of £76.3m (2015: £55.6m) include capital reserves from retained losses and intangible assets. ATS has no Tier 2 Capital as at 31 December 2016 (2015: None). The Company had a Common Equity Tier 1 ratio of 31.7% as at the Balance Sheet date (2015: 36.6%).

Annually, the management of ATS completes an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is the process under which the management of ATS oversees and regularly assesses the amounts and type of financial and capital resources held by ATS and whether they are adequate to cover the nature and level of risks to which ATS is exposed.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. RELATED PARTY TRANSACTIONS

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration in respect of these individuals is £478,000 (2015: £488,000), see note 6 for additional disclosure.

As a wholly owned subsidiary of Alliance Trust PLC the Company is exempt from the requirements under Section 33.1A of FRS 102 to disclose transactions with other wholly owned members of the Group.

23. ACQUISITION

In May 2015 the Company agreed to acquire the Stocktrade book of business from Brewin Dolphin. It was agreed that the Stocktrade book of business would be transferred to Alliance Trust Savings Limited in two phases; the first being Private Clients and the second being Partnership clients. On 28 September 2015, the Company acquired control of the Stocktrade Private Client business through the purchase of the trade of the business for a total consideration of £5.2m, which was deferred as at 31 December 2015. The Private Client business has been operated and controlled by the Company from 28 September 2015 and all Private Clients transitioned onto the Company's terms and conditions from the acquisition date. Partnership clients transferred to the Company with effect from 29 April 2016 and the agreement came to completion. The consideration for the acquisition of the Stocktrade book of business was paid in full on the legal completion of the transaction being 29 April 2016. Management estimated the useful life of the book of business to be 10 years and have amortised the asset accordingly throughout the year to 31 December 2016.

24. NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £000	2015 £000
Total comprehensive income	1,174	(5,227)
Amortisation of intangible fixed assets	1,461	523
Depreciation of tangible fixed assets	69	100
Increase in debtors	(13,067)	(1,217)
Increase in amounts owed by group undertakings	(514)	(401)
Increase in creditors	492,594	159,547
(Decrease) / Increase in amounts owed to group undertakings	(451)	428
Funding of mandatory reserve deposit with the Bank of England	(448)	-
LTIP reserve movement	59	72
Sub-ordinated loan interest reserve movement	-	(6,927)
Net cash inflow from operating activities	<u>480,877</u>	<u>146,898</u>