

**Alliance Capital Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 2551144**

**31 December 2001**



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## **Directors' report and financial statements**

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## Directors and advisors

<b>Directors</b>	ED Baker MH Breedon KA Corbet L Manookian
<b>Secretary</b>	MR Manley
<b>Registered Office</b>	Devonshire House 1 Mayfair Place London W1X 6JJ
<b>Bankers</b>	HSBC Bank Plc 79 Piccadilly London W1V OEU
<b>Auditors</b>	KPMG Audit Plc PO Box 695 8 Salisbury Square London EC4Y 8BB
<b>Solicitors</b>	Linklaters & Alliance 1 Silk Street London EC2Y 8HQ

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

### Principal activities and business review

The principal activities of the company and its subsidiary companies are those of investment management and the provision of administrative services to group companies. One of the company's subsidiary undertakings, Dimensional Trust Management Limited, ceased its principal activity as a manager of authorised unit trusts in 1999 and was put into voluntary liquidation in March 2002. Besides that, the company pursued its normal activities throughout the year and intends to continue in these activities in the future. The company is regulated by the Financial Services Authority (formerly Investment Management Regulatory Organisation).

### Results and dividends

The retained profit for the year in the group was £1,248,541 (*2000: profit of £1,229,129*) and will be transferred to reserves.

The directors do not recommend the payment of a dividend (*2000: £nil*).

### Directors and directors' interests

The directors who held office during the year and as the date of this report are as follows:

ED Baker	
N Bergel	(appointed 22 January 2001; resigned 31 May 2001)
MH Breedon	
B Calvert	(resigned 22 January 2001)
KA Corbet	
L Manookian	
S Steincke	(appointed 22 January 2001; resigned 24 November 2001)
DH Williams	(resigned 22 January 2001)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any group company as at 31 December 2001 (*2000: £nil*).

According to the register of directors' interests, no rights to subscribe for shares in any group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Political and charitable donations

The group made no political or charitable donations during the year (*2000: £2,600*).

## Directors' report *(continued)*

### Auditors

Pursuant to section 379A of the Companies Act 1985 the company has elected:

- a) to dispense with the holding of Annual General Meetings;
- b) to dispense with appointment of Auditors annually; and
- c) to dispense with the laying of Reports and Financial Statements before General Meetings.

KPMG Audit Plc are willing to continue in office and the Directors have agreed to their so continuing.

By order of the board



**ED Baker**  
*Director*

Devonshire House  
1 Mayfair Place  
London  
W1X 6JJ

29 April 2002

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB

**Independent auditor's report to the members of Alliance Capital Limited**

We have audited the financial statements on pages 6 to 17.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company and the group affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

29 April 2002

**Consolidated profit and loss account**  
*for the year ended 31 December 2001*

	Note	2001 £	Restated 2000 £
<b>Turnover</b>	<i>1</i>	<b>41,004,309</b>	32,214,316
Administrative expenses		<b>39,694,425</b>	30,852,954
<b>Operating profit</b>		<b>1,309,884</b>	1,361,362
Other interest receivable and similar income	<i>5</i>	<b>508,101</b>	473,748
Interest payable and similar charges	<i>6</i>	<b>(114,694)</b>	(118,367)
Goodwill written off	<i>8</i>	<b>(206,403)</b>	-
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>1,496,888</b>	1,716,743
Tax on profit on ordinary activities	<i>7</i>	<b>(248,347)</b>	(487,614)
<b>Retained profit for the financial year</b>	<i>17</i>	<b>1,248,541</b>	1,229,129
<b>Retained profit/(loss) for the financial year</b>			
The company		<b>1,119,463</b>	1,293,487
Group undertakings		<b>129,078</b>	(64,358)
		<b>1,248,541</b>	1,229,129

In both the current and preceding years, the group made no material acquisitions and had no discontinued operations. There were no recognised gains and losses other than the profit for the year shown above.

The notes on pages 9 to 17 form part of these accounts.



**Consolidated balance sheet**  
*at 31 December 2001*

	Note	2001	2000
		£	£
<b>Fixed assets</b>			
Intangible assets	8	-	206,403
Tangible assets	9	8,916,519	4,077,222
Investments	10	32,129	32,129
		<hr/>	<hr/>
		8,948,648	4,315,754
<b>Current assets</b>			
Debtors	11	5,209,255	3,126,639
Cash at bank and in hand		14,404,254	9,570,462
		<hr/>	<hr/>
		19,613,509	12,697,101
<b>Creditors: amounts falling due</b>			
Within one year	12	(22,295,081)	(11,730,666)
		<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		(2,681,572)	966,435
Debtors due after more than one year	11	1,088,985	664,355
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,356,061	5,946,544
<b>Creditors: amounts falling due after more</b>			
than one year	13	(1,820,780)	(1,659,804)
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	14	(75,469)	(75,469)
		<hr/>	<hr/>
<b>Net assets</b>		5,459,812	4,211,271
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	4,651,994	4,651,994
Profit and loss account	17	807,818	(440,723)
		<hr/>	<hr/>
<b>Shareholders' funds</b>	16	5,459,812	4,211,271
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 29 April 2002 and were signed on its behalf by:



**ED Baker**  
Director

The notes on pages 9 to 17 form part of these accounts.

**Company balance sheet**  
*at 31 December 2001*

		2001	2000
		£	£
<b>Fixed assets</b>			
Tangible assets	9	87,133	173,509
Investments	10	1,432,129	1,432,129
		<u>1,519,262</u>	<u>1,605,638</u>
<b>Current assets</b>			
Debtors	11	3,364,751	2,342,329
Cash at bank and in hand		11,841,806	8,724,828
		<u>15,206,557</u>	<u>11,067,157</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(9,216,903)</u>	<u>(6,229,877)</u>
<b>Net current assets</b>		5,989,654	4,837,280
Debtors due after more than one year	11	67,565	14,100
		<u>7,576,481</u>	<u>6,457,018</u>
<b>Total assets less current liabilities</b>		7,576,481	6,457,018
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,500,000)</u>	<u>(1,500,000)</u>
<b>Net assets</b>		<u>6,076,481</u>	<u>4,957,018</u>
<b>Capital and reserves</b>			
Called up share capital	15	4,651,994	4,651,994
Profit and loss account	17	1,424,487	305,024
		<u>6,076,481</u>	<u>4,957,018</u>
<b>Shareholders' funds</b>	16	<u>6,076,481</u>	<u>4,957,018</u>

These financial statements were approved by the board of directors on 29 April 2002 and were signed on its behalf by:



**ED Baker**  
Director

The notes on pages 9 to 17 form part of these accounts.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, in accordance with the Companies Act 1985.

#### *Cash flow statement and related party disclosures*

The company is exempt from preparing a cash flow statement under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary of a company which prepares consolidated financial statements which are publicly available. The consolidated financial statements of Alliance Capital Management L.P., within which this company is included, can be obtained from the address given in Note 19.

The company is also exempt from the requirements of Financial Reporting Standard 8 concerning related party disclosures for the same reason.

#### *Basis of consolidation*

The group accounts consolidate the accounts of Alliance Capital Limited and all its subsidiary undertakings. These accounts are made up to 31 December 2001. The consolidated accounts are based on accounts which are coterminous with those of the parent company.

In the company's accounts, investments in subsidiary undertakings are stated at cost, less any permanent diminution in value. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) relates to the company's investment in Dimensional Trust Management Limited. In prior years goodwill has been amortised over a period of 12 years, in accordance with the director's best estimate of useful economic life. As Dimensional Trust Management Limited had been placed into voluntary liquidation in March 2002, the goodwill has been written down completely in the current year.

In accordance with Section 230(4) of the Companies Act 1985 Alliance Capital Limited is exempt from the requirement to present its own profit and loss account.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	lesser of their useful lives or the terms of the related leases
Furniture, fixtures and fittings	-	6 years
Computer equipment	-	3 years
Other equipment	-	6 years

#### *Fixed asset investments*

Fixed asset investments have been stated at cost less any permanent diminution.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Lease Commitments*

Leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease, including the rent free period.

#### *Rent free period*

A rent free period was granted on the office space leases. The value of the rent free period has been deferred and is amortised up to the earlier of the first rent review or the date the lease can be terminated.

#### *Pension costs*

During the year, the group continued to contribute to a Group Personal Pension plan (which is a defined contribution scheme) paying contributions for its employees. Pension contributions are based on a percentage of the employee costs. The amount charged against profits represents the contributions payable to the plan in respect of the accounting period.

The assets of the plan are held separately from those of the company in independently administered funds.

There were no outstanding or prepaid contributions at the year end.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover is comprised of investment advisory fees. Turnover also consists of management recharges received from group companies in respect of services rendered by the group.

#### *Prior year restatement*

Turnover and administrative expenses for the year ended 31 December 2000 have been restated to reflect contributions from group companies at gross rather than net.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>This is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit		
- ACL	40,947	32,248
- Subsidiaries	12,067	33,749
Non audit services - ACL		
- taxation	48,315	33,480
- other services	17,490	-
- Subsidiaries		
- taxation	32,880	11,250
- other services	11,074	76,523
Depreciation and other amounts written off:		
Tangible fixed assets	1,614,525	1,507,549
Exchange losses	22,208	11,228
Goodwill amortised	206,403	72,615
Rent of premises - rentals payable under other operating leases	1,933,249	1,125,953
	<u>                    </u>	<u>                    </u>

### 3 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	2,523,033	2,513,815
Pension contributions	23,981	14,676
	<u>                    </u>	<u>                    </u>
	2,547,014	2,528,491
	<u>                    </u>	<u>                    </u>

The aggregate emoluments, excluding pension contributions, of the highest paid director were £1,024,622 (2000: £1,128,699).

The number of directors to whom retirement benefits are accruing under a defined contribution pension plan was 3 (2000: 2).

## Notes (continued)

### 4 Staff numbers and costs

The aggregate payroll costs were as follows:

	2001 £	2000 £
Wages and salaries	17,782,684	9,889,009
Social security costs	1,848,398	1,599,243
Other pension costs	629,996	423,725
	<u>20,261,078</u>	<u>11,911,977</u>

The average number of employees during the year was 140 (2000: 106).

### 5 Other interest receivable and similar income

	2001 £	2000 £
Bank interest receivable	392,309	369,008
Rental of premises – rentals receivable under operating leases	115,792	104,740
	<u>508,101</u>	<u>473,748</u>

### 6 Interest payable and similar charges

	2001 £	2000 £
Interest payable to parent undertaking	(114,694)	(118,367)
	<u></u>	<u></u>

### 7 Taxation

	2001 £	2000 £
<b>U.K. Corporation Tax</b>		
Corporation tax at 30% (2000: 30%)	231,209	526,356
Adjustment relating to an earlier year	17,138	(38,742)
	<u>248,347</u>	<u>487,614</u>

## Notes (continued)

### 8 Intangible fixed assets

Group	Goodwill £
<i>Cost</i>	
At beginning of year	871,380
At end of year	871,380
<i>Amortisation</i>	
At beginning of year	664,977
Charged in year	206,403
At end of year	871,380
<i>Net book value</i>	
At 31 December 2001	-
At 31 December 2000	206,403

Goodwill relates to the company's investment in Dimensional Trust Management Limited. As Dimensional Trust Management Limited had been placed into voluntary liquidation in March 2002 the goodwill has been written down completely.

### 9 Tangible fixed assets

Group	Leasehold improvements £	Furniture, fixtures & fittings £	Equipment £	Total £
<i>Cost</i>				
At beginning of year	4,121,128	2,476,698	2,660,612	9,258,438
Additions	4,768,282	337,187	1,348,353	6,453,822
Disposals	-	-	(114,883)	(114,883)
At end of year	8,889,410	2,813,885	3,894,082	15,597,377
<i>Depreciation</i>				
At beginning of year	1,988,272	1,366,301	1,826,643	5,181,216
Depreciation for the period	670,547	379,804	564,174	1,614,525
Disposals	-	-	(114,883)	(114,883)
At end of year	2,658,819	1,746,105	2,275,934	6,680,858
<i>Net book value</i>				
At 31 December 2001	6,230,591	1,067,780	1,618,148	8,916,519
At 31 December 2000	2,132,856	1,110,397	833,969	4,077,222

## Notes (continued)

### 9 Tangible fixed assets (continued)

	Leasehold Improvements £	Furniture, fixtures and fittings £	Equipment £	Total £
<b>Company</b>				
<b>Cost</b>				
At beginning of year	764,803	434,097	835,942	2,034,842
Additions	-	-	11,826	11,826
Disposals	-	-	(30,845)	(30,845)
At end of year	764,803	434,097	816,923	2,015,823
<b>Depreciation</b>				
At beginning of year	708,442	400,713	752,178	1,861,333
Charge for year	40,357	13,989	43,856	98,202
On disposals	-	-	(30,845)	(30,845)
At end of year	748,799	414,702	765,189	1,928,690
<b>Net book value</b>				
At 31 December 2001	16,004	19,395	51,734	87,133
At 31 December 2000	56,361	33,384	83,764	173,509

### 10 Investments held as fixed assets

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Shares in group undertaking	-	-	1,400,000	1,400,000
Investment in GSTP AG	32,129	32,129	32,129	32,129
	32,129	32,129	1,432,129	1,432,129

The company owns 100% of the issued share capital consisting of 500 'A' ordinary £1 shares and 500 'B' ordinary £1 shares of Alliance Capital Services Limited, a company registered in England and Wales, which has been included in the consolidation. This company provides administration services to other group companies.

Alliance Capital Services Limited owns 100% of the issued share capital of Dimensional Trust Management Limited, a company registered in England and Wales. Its share capital consists of 50,000 ordinary £1 shares which has been included in the consolidation. Dimensional Trust Management Limited previously acted as a fund manager for the Dimensional Unit Trusts, but discontinued these activities during the year 1999. In March 2002, Dimensional Trust Management Limited was entered into liquidation.

In July 2000, the company invested £32,129 in GSTP Global Straight Through Processing AG, Zurich. The purpose of this investment is to promote an industry wide standard towards processing securities transactions and establishing a global template to process transactions. The company owns 0.1% of the issued share capital consisting of 80,000 ordinary CHF 1,000 shares. GSTP Global Straight Through Processing AG, Zurich is a company registered in Switzerland.



## Notes (continued)

### 11 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
<b>Amounts falling due within one year</b>				
Trade debtors	224,929	511,934	224,929	511,934
Amounts owed by group undertakings	1,435,310	952,984	1,024,789	1,017,815
Other debtors	1,485,364	314,605	274,398	38,690
Prepayments and accrued income	2,063,652	1,347,116	1,840,635	773,890
	<u>5,209,255</u>	<u>3,126,639</u>	<u>3,364,751</u>	<u>2,342,329</u>
<b>Amounts falling due after more than one year</b>				
Rent deposits	1,088,985	664,355	67,565	14,100
	<u>1,088,985</u>	<u>664,355</u>	<u>67,565</u>	<u>14,100</u>

### 12 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Trade creditors	52,755	214,801	-	-
Amortisation of rent free period	104,339	147,812	-	-
Amounts owed to group undertakings	13,814,060	6,022,196	1,735,759	1,530,193
Other creditors including taxation and social security	6,518,559	4,167,194	6,482,210	4,123,851
Accruals and deferred income	1,805,368	1,178,663	998,934	575,833
	<u>22,295,081</u>	<u>11,730,666</u>	<u>9,216,903</u>	<u>6,229,877</u>
<b>Taxation and social security comprises</b>				
Corporation tax payable	36,349	76,130	-	33,198
Other	6,482,210	4,091,064	6,482,210	4,090,653
	<u>6,518,559</u>	<u>4,167,194</u>	<u>6,482,210</u>	<u>4,123,851</u>

## Notes (continued)

### 13 Creditors: amounts falling due after more than one year

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Amounts owed to group undertakings				
- subordinated loan from parent undertaking	1,500,000	1,500,000	1,500,000	1,500,000
Amortisation of rent free period	320,780	159,804	-	-
	<u>1,820,780</u>	<u>1,659,804</u>	<u>1,500,000</u>	<u>1,500,000</u>

The subordinated loan attracts interest twice a year at 2% above the LIBOR rate and falls due for repayment 5 years from the date that notice is given by the parent undertaking.

### 14 Provisions for liabilities and charges

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Taxation, including deferred taxation				
- accelerated capital allowances	75,469	75,469	-	-
	<u>75,469</u>	<u>75,469</u>	<u>-</u>	<u>-</u>

Movements on the deferred tax provision were as follows:

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
At 1 January	75,469	75,469	-	-
Charge to the profit and loss account	-	-	-	-
	<u>75,469</u>	<u>75,469</u>	<u>-</u>	<u>-</u>
At 31 December	75,469	75,469	-	-

### 15 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	4,651,994	4,651,994
	<u>4,651,994</u>	<u>4,651,994</u>

## Notes (continued)

### 16 Shareholders' funds

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Shareholders' funds at 1 January	4,211,271	2,982,142	4,957,018	3,663,531
Retained profit for the financial year	1,248,541	1,229,129	1,119,463	1,293,487
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31 December	5,459,812	4,211,271	6,076,481	4,957,018
	<hr/>	<hr/>	<hr/>	<hr/>

### 17 Reserves

	Profit and loss account	
	Group	Company
	£	£
Balance at 31 December 2000	(440,723)	305,024
Retained profit for the financial year	1,248,541	1,119,463
	<hr/>	<hr/>
Balance at 31 December 2001	807,818	1,424,487
	<hr/>	<hr/>

### 18 Commitments and contingencies

Annual commitments under non-cancellable operating leases are as follows:

	2001	2000
	£	£
Group and Company		
Operating leases which expire within one year	606,713	175,246
Operating leases which expire over five years	3,026,410	1,300,470
	<hr/>	<hr/>

### 19 Immediate and ultimate parent company

The company's immediate holding company is Alliance Capital Management Corporation (Delaware), a company incorporated in Delaware, United States of America. The consolidated financial statements of Alliance Capital Management LP, within which the company and its immediate holding company are included, can be obtained from Alliance Capital LP, 1345 Avenue of the Americas, New York, New York 10105, United States of America.

The ultimate holding company is AXA, S.A., a French holding company for an international group of insurance and related financial service companies.