AllianceBernstein Limited

Directors' report and consolidated financial statements

For the year ended 31 December 2012

Registered number: 02551144

Directors' report and consolidated financial statements for the year ended 31 December 2012

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Directors and advisers

Directors	S Fay A Husain R Keith A Lavi D Peebles P Rudden T Ryan
Company secretary	A Fowler MR Manley
Registered Office	50 Berkeley Street London United Kingdom W1J 8HA
Bankers	HSBC Bank Plc 79 Piccadilly London W1V OEU
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Directors' report for the year ended 31 December 2012

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012

Principal activities

The principal activities of AllianceBernstein Limited (the "company") and its subsidiary companies, AllianceBernstein Services Limited and ACMBernstein GmbH, (together "the group") are those of investment management and advice or the provision of administrative services to group companies The company is regulated by the Financial Services Authority

Business review and future developments

The group recorded a profit of £1 1m in 2012 (2011 £14 4m loss) The group's turnover decreased by 13% to £89 9m (2011 £103 4m) This decrease in turnover was mainly due to a proportional increase in fixed income denominated assets under management ("AUM") which generate lower fees than equities

Operating expenses decreased by £29 5m (25%) This decrease was mainly driven by a change last year in the accounting treatment of deferred compensation which resulted in the immediate recognition of all unamortised incentive compensation awards that would otherwise have been expensed in future periods

The directors regard AUM as a key performance indicator Closing AUM was £15 9bn (2011 £13 9bn) The increase in AUM arose primarily from net asset inflows from new and existing clients

The group will continue to maintain a stable business platform and seek to maximise client returns at minimal risk levels in the current market

Branches and representative offices

The group has branch offices in The Netherlands and Sweden It also has representative offices in Bahrain, Italy, Spain and Switzerland

Dividends

The profit and loss account for the year is set out on page 8
No dividend was recommended during the year (2011 £nil)

Directors

The directors of the company who were in office during the year and up to the date of signing of the financial statement are as follows

R Alster (resigned 16 November 2012)
S Fay (appointed 1 October 2012)
M Fedak (resigned 20 September 2012)
R Haxe (resigned 3 January 2013)
A Husain
R Keith (appointed 1 October 2012)
A Lavi
D Peebles (appointed 1 October 2012)
J Ross (resigned 16 November 2012)
P Rudden
T Ryan (appointed 1 March 2012)
D Steyn (resigned 3 January 2012)

Directors' report for the year ended 31 December 2012 *(continued)*

Directors' insurance

AllianceBernstein L P maintains insurance for the directors in respect of their duties as directors of the company This was in force during 2012 and up to the date of signing the financial statements

Financial risk management

Business risk

Changes in financial market levels have a direct and significant impact on the company's assets under management A significant reduction in assets under management could have a material adverse effect on the revenues and financial condition of the company

In March 2012, the board of directors approved an Internal Capital Adequacy Assessment Process (ICAAP) The ICAAP has been incorporated into the operating arrangements of the group as a core process to be used by senior management to guide their activities and the execution of their risk management roles and responsibilities, especially in the management of regulatory capital

Market risk

(i) Interest rate risk

The company earns interest on cash balances and is not otherwise exposed to interest rate risk

(ii) Foreign exchange risk

The company has one subsidiary in Germany whose shareholders' funds, revenues and expenses are denominated in euros The group also operates internationally and is therefore exposed to foreign exchange risk, arising mainly from foreign denominated transactions and recognized assets and liabilities in foreign operations The group is also exposed to USD risk through allocations of revenue and expenses from head office The group has a policy of regularly selling down excess currencies to mitigate foreign exchange risk

Credit risk

Credit risk arises from cash deposits with banks and financial institutions as well as credit exposures in respect of outstanding receivables The cash deposits with banks and high-quality financial institutions are a means of minimising credit risk There is a credit control monitoring process whereby aged receivables are reviewed on a regular basis and where appropriate, an amount set aside as provision for debts that are not expected to be collected in full

Operational risk

On an annual basis the directors approve an Operational Risk Management Framework to control, monitor and mitigate the group's operational risk The Risk Oversight Committee meets quarterly to review key risk indicators, top risks, processes and control reports and to develop recommendations to prioritise resources required to advance the risk agenda

Liquidity risk

The company has large cash balances and therefore is not exposed to liquidity risk No liquidity risk arises from the current asset investments

Directors' report for the year ended 31 December 2012 *(continued)*

Employees

The group recognises the importance of ensuring that employees understand the aims and objectives of the group, and are clear on what is expected of them, and has policies and practices that make the company a desirable place to work The company requires employees to act ethically and encourages staff to be aware of the wider community Communication with employees is via email and AllianceBernstein's intranet site In addition, employees' views on decisions that are likely to impact them may be aired either at quarterly town hall meetings or via the annual employee performance review process

Non-discrimination and equal opportunity policy

The group does not discriminate against any employee or applicant for employment on the basis of race, colour, religion, age, disability or any other basis that is prohibited by law The group's policies, as well as its practices, seek to ensure that employment opportunities are available to all employees and applicants, based solely on job-related criteria This policy of non-discrimination applies to all employment practices including, but not limited to, hiring, compensation, benefits eligibility, promotions, transfers and redundancies

Disabled employee note

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status The group gives full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes, skills and abilities Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Political and charitable donations

The group made no political donations during the year (2011 £nil) The group contributed £18,802 (2011 £50,518) in charitable donations, the majority being matched employee give as you earn donations

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and 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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

Statement of directors' responsibilities *(continued)*

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

In the case of each of the persons who are directors at the time when this report is approved, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all steps that they ought to have taken as directors to make themselves aware of any audit information and to establish that the company's auditors are aware of that information

This information is given and should be interpreted in accordance with the provisions of s 418 of the Companies Act 2006

On behalf of the board

Timothy Ryan
Director
25 April 2013

Company registered number 02551144

Registered office
50 Berkeley Street
London
United Kingdom
W1J 8HA

Independent auditors' report to the members of AllianceBernstein Limited

We have audited the group and parent company financial statements (the "financial statements") of AllianceBernstein Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, the consolidated and company balance sheets, and the related notes 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)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on pages 4 and 5, 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 group's and parent 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 directors' report to identify material inconsistencies with the audited financial statements 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 group's and the parent company's affairs as at 31 December 2012 and of the group's 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of AllianceBernstein Limited
(continued)

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 by the parent company, or
- the parent company financial statements are not in agreement with the accounting records, 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

Alex Bertolotti (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April, 2013

Consolidated profit and loss account

For the year ended 31 December 2012

	Note	2012	2011
		£	£
Turnover		**89,934,142**	103,412,839
Administrative expenses - normal		**(88,466,243)**	(94,427,648)
Administrative expenses - exceptional charge	3	**-**	(23 552,317)
Other operating income and charges	6	**(199,101)**	(213,722)
Operating profit/(loss)		**1,268,798**	(14,780,848)
Other interest receivable and similar income	7	**134,531**	169,000
Interest payable and similar charges	8	**(1,101)**	(4,977)
Profit/(loss) on ordinary activities before taxation	2	**1,402,228**	(14,616 825)
Tax on profit/(loss) on ordinary activities	9	**(338,485)**	189,791
Profit/(loss) on ordinary activities after taxation		**1,063,743**	(14,427 034)
Dividend	10	**-**	-
Profit/(loss) for the financial year	21	**1,063,743**	(14 427,034)
Profit/(loss) for the financial year			
The company		**(362,428)**	(15 122 178)
Group undertakings		**1,426,171**	695 144
	21	**1,063,743**	(14 427 034)

Other than the amounts disclosed in note 13, there is no material difference between the results as described in the profit and loss account and the results on an unmodified historical cost basis Accordingly, a note of the historical cost profits and losses for the year is not given

All the amounts above are in respect of continuing operations

Statement of group total recognised gains and losses

For the year ended 31 December 2012

	2012	2011
	£	£
Profit/(loss) for the financial year	**1,063,743**	(14 427 034)
Currency translation difference	**(17,462)**	(21 779)
Total recognised profit/(loss) relating to year	**1,046,281**	(14 448 813)

The notes on pages 11 to 24 form part of these financial statements

Consolidated balance sheet

At 31 December 2012

	Note		2012		2011
		£	£	£	£
Fixed assets					
Tangible assets	*11*		**6,453,624**		12,325 506
Current assets					
Investments	*13*	**74,957**		70,109	
Debtors	*14*	**79,061,501**		55,603,827	
Cash at bank	*15*	**40,800,854**		54,071 861	
		119,937,312		109,745,797	
Creditors amounts falling due within one year	*17*	**(30,325,726)**		(28,534,464)	
Net current assets			**89,611,586**		81,211,333
Total assets less current liabilities			**96,065,210**		93,536,838
Creditors amounts falling due after more than one year	*18*		**(1,455,479)**		(1,524,480)
Provisions for liabilities	*19*		**(2,156,098)**		(605,007)
Net assets			**92,453,633**		91 407,351
Capital and reserves					
Called up share capital	*20*		**19,286,524**		19,286 524
Profit and loss account	*22*		**73,167,109**		72,120 828
Total shareholders' funds	*21*		**92,453,633**		91 407 352

The notes on pages 11 to 24 form part of these financial statements

These financial statements were approved by the board of directors on 2 May ~~April~~ 2013 and were signed on its behalf by

Director Timothy Ryan
25 *April 2013*

AllianceBernstein Limited
Company registered number 02551144

Company balance sheet
At 31 December 2012

	Note		2012		2011
		£	£	£	£
Fixed assets					
Tangible assets	*11*		**37,865**		74,377
Investments	*12*		**1,417,102**		1 417,102
			1,454,967		1,491,479
Current assets					
Investments	*13*	**74,957**		70,109	
Debtors	*14*	**81,196,649**		70,209,047	
Cash at bank and in hand	*15*	**38,485,706**		45,570,191	
		119,757,312		115,849,347	
Creditors amounts falling due within one year	*17*	**(27,776,178)**		(25 199,750)	
Net current assets			**91,981,134**		90,649 597
Total assets less current liabilities			**93,436,101**		92 141 076
Creditors amounts falling due after more than one year	*18*		**(1,455,479)**		(1,524,480)
Provisions for liabilities	*19*		**(1,726,454)**		-
Net assets			**90,254,168**		90 616,596
Capital and reserves					
Called up share capital	*20*		**19,286,524**		19 286 524
Profit and loss account	*22*		**70,967,644**		71 330,072
Total shareholders' funds	*21*		**90,254,168**		90,616,596

The notes on pages 11 to 24 form part of these financial statements

These financial statements were approved by the board of directors on 2 ~~April~~ May 2013 and were signed on its behalf by

Director Timothy Ryan
25 *April 2013*

AllianceBernstein Limited
Company registered number 02551144

Notes to the financial statements for the year ended 31 December 2012

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 in the United Kingdom, on the historical cost basis and on a going concern basis, except for the measurement at fair value of the current asset investments, and in accordance with the Companies Act 2006

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 an entity which prepares consolidated financial statements which are publicly available The consolidated financial statements of AllianceBernstein L P , within which the company is included, can be obtained from the address given in Note 24

The company is also exempt from the requirements of Financial Reporting Standard 8 to disclose related party transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

Basis of consolidation

The group financial statements consolidate the accounts of AllianceBernstein Limited and all its subsidiary undertakings These financial statements are made up to 31 December 2012 The consolidated financial statements are based on financial statements that are coterminous with those of the parent company, and also on uniform accounting policies

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less any impairment 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

In accordance with section 408 of the Companies Act 2006 AllianceBernstein Limited is exempt from the requirement to present its own profit and loss account

Fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use

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 are stated at cost less provision for impairment Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of these assets exceed their recoverable amount The recoverable amount is the greater of net realisable value and value in use, and is determined based on management's assumptions and estimates

Notes to the financial statements for the year ended 31 December 2012 *(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

The results of subsidiary undertakings drawn up in currencies other than sterling are translated at average rates of exchange ruling during the year The assets and liabilities of these entities are translated at the rate of exchange ruling at the balance sheet date Exchange differences arising on the translation of these amounts from average rates used in the profit and loss account to the closing rate in the balance sheet are taken directly to the statement of group total recognised gains and losses

Lease commitments

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as 'operating leases' Costs under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease Incentives received to enter into leases are amortised over the period until the next rent review

Onerous lease obligations

When a leasehold property ceases to be used in the business, a liability is recognised for unavoidable costs of future lease obligations in excess of anticipated income from the leasehold property The liability is discounted at market rates to reflect the long term nature of the cash flows

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 employee salary The amount charged against profits represents the contributions payable to the plan in respect of the accounting year

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

Investments

Current asset investments are stated at fair value, which is determined by reference to official quoted market bid prices at the close of business on the balance sheet date Any resulting gain or loss is included in "Other operating income and charges" in the profit and loss account

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised without discounting, in respect of any timing differences which have arisen but not reversed by the balance sheet date Provision is made for any deferred taxation only to the extent that it is probable that an actual liability will crystallise As the company is a member of a group for corporation tax purposes, deferred tax assets will not be recognised where losses will be passed between members of the group

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover comprises investment management fees, advisory fees and management recharges received from group companies in respect of services rendered by the group Turnover is accounted for on an accruals basis

Certain investment management contracts provide for performance based fees that are calculated as a percentage of investment results in excess of a stated benchmark over a predetermined time frame These performance fees are subsequently recorded as revenue when crystallised

Financial assets

The company recognises financial assets initially at fair value from the trade date, and continues to recognise them through the profit and loss account until the rights to receive cash flows have expired or the company has transferred substantially all the risks and rewards of ownership

Impairment of financial assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets, including trade debtors, is impaired The factors that the company takes into account include age of the trade debtor and specific knowledge regarding the debtor

Financial liabilities

The company recognises financial liabilities from the trade date, and continues to recognise them until the liability has been settled, extinguished or has expired

2 Profit/(loss) on ordinary activities before taxation

	2012	2011
Group	**£**	£
This is stated after charging		
Auditors remuneration		
- audit of the company's annual financial statements	**61,797**	70,941
Fees payable to the Auditors' for other services		
- audit of company's subsidiaries	**28,937**	29 641
- taxation services	**19,916**	70 000
- quarterly reviews & other services	**34,822**	27 894
Depreciation and other amounts written off	**2,614,496**	3 270,791
Severance payments	**1,019,357**	1 495 581
Rent of premises - rentals payable under operating leases	**5,813,903**	10 013 445

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

3 Administrative expenses - exceptional charge

In 2011 the AllianceBernstein group, and hence AllianceBernstein Limited, implemented changes to its employee long-term incentive compensation award program The changes provided employees with a higher degree of certainty that they would receive the incentive compensation they were awarded, and for the company, better align the costs of employee compensation and benefits with the company's current year financial performance The amendment to all outstanding deferred compensation awards of active employees resulted in the immediate recognition in 2011 of the cost of all unamortised deferred incentive compensation awards from prior years that would otherwise have been expensed in future periods In addition the full expense associated with the 2011 deferred incentive compensation awards was also recognised

The exceptional item disclosed includes all costs associated with prior year awards that were expensed in 2011 This included the employee award itself and the related employer taxes

4 Remuneration of directors

	2012	2011
	£	£
Directors' emoluments	3,901,769	3 685,069
Aggregate amounts receivable under long term incentive schemes	1,482,081	11 600 815
Contributions to defined contribution pensions	82,617	101,564
	5,466,467	15 387 448

The aggregate emoluments of the highest paid director were £1,132,931 (2011 £5,269,244) Pension contributions paid on behalf of the highest paid director during the year were £nil (2011 £7,355) Money received by the highest paid director under long term incentive schemes was £374,148 (2011 £4,886,363)

The number of directors to whom retirement benefits are accruing under a defined contribution pension plan was 6 (2011 7)

The number of directors in respect of whose qualifying services shares were received or receivable under a long term incentive scheme was 7 (2011 8)

5 Staff numbers and costs

The aggregate payroll costs were as follows

	2012	2011
	£	£
Wages and salaries	36,147,130	73 095 165
Social security costs	5,058,174	8 351 922
Pension costs	1,289,996	1 717 736
	42,495,300	83 164 823

The monthly average number of employees during the year was 194 (2011 280)

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

6 Other operating income and charges

	2012	2011
	£	£
Net gain on available for sale investments	2,599	168 677
Net exchange gain on investments	-	18 256
Net exchange loss on other operations	(201,700)	(450,586)
Other income	-	49,931
	(199,101)	(213 722)

7 Other interest receivable and similar income

	2012	2011
	£	£
Bank interest receivable	134,531	169 000

8 Interest payable and similar charges

	2012	2011
	£	£
Interest payable in respect of tax charges	1,101	4 977

9 Tax on profit/(loss) on ordinary activities

Analysis of tax charge

	2012	2011
	£	£
Current tax		
United Kingdom Corporation tax at 24 50% (2011 26 49%)	601,939	3 346 721
Foreign tax paid	177,250	147 474
Trade Tax	67,476	95 914
Double tax relief	-	(143 950)
Adjustments in respect of prior periods - UK Tax	729,449	(151 833)
Adjustments in respect of prior periods - Foreign Taxes	(166,007)	(131 396)
Total current tax	1,410,107	3 162,930
Deferred tax (see note 16)		
Origination/reversal of timing differences	(1,071,622)	(3 352 721)
Tax on profit/(loss) on ordinary activities	338,485	(189 791)

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

9 Tax on profit/(loss) on ordinary activities *(continued)*

Factors affecting tax charge for the year

The current tax charge for the year ended December 31 2012 is higher (2011 higher) than the standard rate of corporation tax in the UK of 24% (2011 26%) The differences are explained below

	2012 £	2011 £
Profit/(loss) on ordinary activities before corporation tax	1,402,228	(14,616 825)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 50% (2011 26 49%)	248,622	(3 872,457)
Additional German corporation tax charge on profit for the year at 32 98% (2011 32 98%)	127,722	35 797
Effect of disallowable expenditure	898,318	477 758
Adjustments in respect of prior periods - UK Tax	729,449	(151 833)
Adjustments in respect of prior periods - Foreign Taxes	(166,007)	(131 396)
Timing difference – Excess depreciation over capital allowances	1,368,330	510 418
Timing differences - Deferred Compensation	(1,973,577)	6 291,119
Double tax relief	-	(143 950)
Foreign taxes	177,250	147 474
Total current tax	1,410,107	3 162 930

Factors that may affect future tax charges

The standard rate corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly the company's profits are taxed at an effective rate of 24 50%

In addition a number of further changes to the UK corporation tax system were announced in the March 2013 UK Budget Statement A resolution passed by Parliament reduced the main rate of corporation tax to 23% from 1 April 2013 Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is expected to be included in the Finance Act 2013 A further reduction to the main rate is also proposed to reduce the rate to 20% from 1 April 2015 None of these rate reductions had been substantively enacted at the balance sheet date and therefore are not included in these financial statements

A deferred tax credit of £1,071,622 was recognised during the year (2011 £3,352 721 credit) The 2012 deferred tax credit relates to timing differences between the tax written down value and net book value of qualifying assets

10 Dividend

No dividend was recommended during the year (2011 £nil)

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

11 Tangible assets

Group	Leasehold improvements £	Furniture, fixtures and fittings £	Computers and other equipment £	Total £
Cost				
At beginning of the year	14,202 297	4,992,619	3 903 714	23,098,630
Additions	301 205	130,214	170,564	601,983
Disposals	(6 411,145)	(3,822,187)	-	(10,233,332)
At end of the year	8 092,357	1 300,646	4,074 278	13,467 281
Accumulated depreciation				
At beginning of the year	5 229 078	3,145,870	2,398,176	10,773,124
Charge for the year	1,319,465	628,456	666,575	2 614 496
Disposals	(2,963,090)	(3,410,873)	-	(6,373,963)
At end of the year	3 585 453	363 453	3,064,751	7 013,657
Net book value				
At 31 December 2012	**4,506,904**	**937,193**	**1,009,527**	**6,453,624**
At 31 December 2011	8 973,219	1 846,749	1,505,538	12 325 506

During 2012 the company vacated one of its two main office premises Consequently fixed assets relating to the former office which were not transferred are reflected as disposals in the table above

Company	Leasehold improvements £	Furniture, fixtures and fittings £	Computers and other equipment £	Total £
Cost				
At beginning of the year	15,733	133,883	141,178	290 794
Additions	-	-	-	-
Disposals	-	-	-	-
At end of the year	15,733	133,883	141 178	290 794
Accumulated depreciation				
At beginning of the year	8 018	114 732	93,667	216 417
Charge for the year	1 573	10 290	24,649	36 512
Disposals	-	-	-	-
At end of the year	9 591	125 022	118 316	252 929
Net book value				
At 31 December 2012	**6,142**	**8,861**	**22,862**	**37,865**
At 31 December 2011	7,715	19,151	47 511	74 377

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

12 Fixed asset investments

	Company	
	2012	2011
	£	£
Shares in group undertakings		
AllianceBernstein Services Limited	**1,400,000**	1 400 000
ACM Bernstein GmbH	**17,102**	17,102
	1,417,102	1,417,102

The company owns 100% of the issued share capital consisting of 1000 ordinary £1 shares of AllianceBernstein Services Limited ("ABSL"), a company registered in England and Wales, which has been included in the consolidation ABSL provides administration services to other group companies

The company also owns 100% of the ordinary shares of a Germany subsidiary company, ACM Bernstein GmbH, a company incorporated in Germany and which has been included in the consolidation This subsidiary provides marketing and client service services to existing and potential German and Austrian clients of the company

13 Current Asset Investments

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Available for sale investments brought forward	**70,109**	14,066,861	**70,109**	14,066,861
Exchange differences	**-**	18,256	**-**	18,256
Additions	**2,405**	-	**2,405**	-
Disposals	**(156)**	(14,183,685)	**(156)**	(14,183,685)
Revaluation surplus	**2,599**	168,677	**2,599**	168,677
Available for sale investments carried forward	**74,957**	70,109	**74,957**	70 109

Equity Fund seed investments

In the past seed money has been invested in order to build and maintain a performance record for portfolios The company held no equity seed investments during 2012

Fixed Income seed investments

During the year the company retained an investment in a UK gilt fund which is a level 1 investment as described in the hierarchy below

Fair values are measured using the following fair value hierarchy

Level 1 reflects financial instruments quoted in the market

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

13 Current Asset Investments *(continued)*

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not on observable data

The valuation techniques used by the company are explained in the accounting policies on page 12 The financial assets designated at fair value through the profit and loss are all categorised as Level 1 in the above hierarchy There are no financial liabilities that are designated at fair value through the profit and loss in the financial statements

Cash management

Listed securities held as current asset investments are available for sale and are stated at fair value which equates to market bid values and profits and losses arising from this valuation are taken to the profit and loss account

14 Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Amounts falling due within one year				
Trade debtors	**4,511,738**	3,228 772	**4,511,739**	3,228,773
Amounts owed by group undertakings	**58,158,327**	33 796 092	**64,686,337**	53,142,134
Other debtors	**998,768**	2,960 857	**274,535**	1,185 175
Net deferred tax assets (see note 16)	**6,225,333**	5,153 711	**4,742,630**	4,945 214
Prepayments and accrued income	**9,160,084**	10,457,144	**6,974,157**	7,700 500
	79,054,250	55 596 576	**81,189,398**	70 201 796
Amounts falling due after one year				
Other debtors	**7,251**	7 251	**7,251**	7 251
Total debtors	**79,061,501**	55,603 827	**81,196,649**	70 209 047

The Directors consider that the carrying value of debtor amounts falling due within and after one year is approximate to their fair value

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

15 Cash at bank

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Cash held in Fixed Income seed investment portfolio	**-**	1,107	**-**	1 107
Cash held in UK gilt fund	**1,944**	6,822	**1,944**	6 822
Cash at bank	**40,798,910**	54 063 932	**38,483,762**	45 562,262
	40,800,854	54 071,861	**38,485,706**	45,570 191

16 Deferred taxation

	2012	2011	**2012**	2011
	£	£	**£**	£
Deferred tax asset brought forward	**5,153,711**	1 800,990	**4,945,214**	2,000,066
Timing difference between accumulated depreciation and capital allowances	**1,109,540**	590.804	**401,537**	405,406
Difference arising on provisions and accruals that become tax deductible once paid	**(755,656)**	2,812,586	**(697,809)**	2 644 875
Prior year adjustment and rounding difference	**717,738**	(50 669)	**93,688**	(105,133)
Deferred tax asset carried forward	**6,225,333**	5,153,711	**4,742,630**	4 945,214
Timing difference between accumulated depreciation and capital allowances	**2,280,209**	422,815	**923,301**	468,458
Difference arising on provisions and accruals that become tax deductible once paid	**3,945,124**	4 730 896	**3,819,329**	4 476,756
Deferred tax carried forward	**6,225,333**	5 153,711	**4,742,630**	4 945 214

Recognition has been reported for a deferred tax asset of £6,225,333 (2011 £5 153,711 asset) in the balance sheet in the current year Deferred tax assets/liabilities relate to timing differences between the tax written down value and the net book value of qualifying assets as well as timing differences on deferred compensation The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

17 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade creditors	**46,485**	56,945	**31,630**	37,447
Amortisation of lease incentives and onerous lease	**3,437,947**	849,021	**3,437,946**	127,040
Amounts owed to group undertakings	**1,944,860**	3,142,420	**2,732,864**	3 613,338
Taxation and social security	**14,327,922**	17 479 088	**13,930,623**	16,656 680
Accruals and deferred income	**10,568,512**	7 006 990	**7,643,115**	4 765 245
	30,325,726	28 534 464	**27,776,178**	25,199 750
Taxation and social security comprises				
Corporation tax payable	**294,169**	657,903	**0**	(163 530)
VAT, PAYE and National Insurance	**14,033,753**	16 821 185	**13,930,623**	16 820 210
	14,327,922	17,479 088	**13,930,623**	16 656 680

The Directors consider that the carrying value of creditor amounts due in less and after more than one year is approximate to their fair value

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Amortisation of lease incentives				
1-2 years	**727,720**	508 161	**727,720**	508,161
2-5 years	**727,759**	1 016 319	**727,759**	1 016 319
	1,455,479	1 524 480	**1,455,479**	1 524,480

19 Provisions for liabilities

Commitment under onerous lease				
Due in one year	**922,550**	165 251	**795,935**	-
1-2 years	**646,886**	136 729	**518,933**	-
2-5 years	**478,328**	303 027	**303,253**	-
Over 5 years	**108,334**	-	**108,334**	-
	2,156,098	605 007	**1,726,454**	-

The provisions set out above have been made for an onerous contract relating to office space leased by the company During 2012 the amount relating to the unwinding of discounts on the commitment under onerous leases was £268,432

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

20 Called up share capital

	Company	
	2012	2011
	£	£
Allotted and fully paid		
Preferred Shares of £1 each	**9,651,994**	9 651,994
Ordinary Class B Shares of £1 each	**9,634,530**	9 634 530
	19,286,524	19 286,524

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Shareholders' funds at 1 January	**91,407,352**	105,856,165	**90,616,596**	105,738,774
Profit/(loss) for the financial year	**1,063,743**	(14 427 034)	**(362,428)**	(15,122,178)
Currency translation difference	**(17,462)**	(21 779)	**-**	-
Shareholders' funds at 31 December	**92,453,633**	91,407,352	**90,254,168**	90,616 596

22 Reserves

	Profit and loss account		Profit and loss account	
	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
At beginning of year	**72,120,828**	86 569,641	**71,330,072**	86,452 250
Profit/(loss) for the financial year	**1,063,743**	(14 427.034)	**(362,428)**	(15,122 178)
Currency translation difference	**(17,462)**	(21 779)	**-**	-
At end of year	**73,167,109**	72 120 828	**70,967,644**	71,330 072

23 Commitments and contingencies

Annual commitments under operating leases which cannot be terminated prior to the expiry of their term are as follows

	2012	2011
	£	£
Group and Company		
Operating leases in respect of land and buildings		
Expiring within 1 year	**782,053**	-
Expiring during years 2 to 5	**129,760**	1 473 247
Expiring after 5 years	**5,286,338**	6 611 485
	6,198,151	8 084 732

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

23 Commitments and contingencies *(continued)*

With respect to all significant litigation matters, the company considers the likelihood of the outcome If the company determines the likelihood of a negative outcome is probable, and the amount of the loss can be reasonably estimated, an estimated loss for the expected outcome of the litigation is recorded If the likelihood of a negative outcome is reasonably possible and the company is able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, that fact together with the estimate of the possible loss or range of loss is disclosed However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the litigation is in its early stages, or when the litigation is highly complex or broad in scope In such cases, the company discloses that it is unable to predict the outcome or estimate a possible loss or range of loss

During the first quarter of 2012, the company received a legal letter of claim sent on behalf of a former European pension fund client, alleging that the company was negligent and failed to meet certain applicable standards of care with respect to the initial investment in and management of a £500 million portfolio of U S mortgage backed securities The alleged damages range between $177 million and $234 million, plus compound interest on an alleged $125 million of realized losses in the portfolio The company believes any losses to this client resulted from adverse developments in the U S housing and mortgage market that precipitated the financial crisis in 2008 and not from any negligence or failure on its part The company believes that it has strong defences to these claims, which are set forth in its 12 October 2012 response to the letter of claim, and will defend them vigorously It is reasonably possible that the company could incur a loss as a result of this matter Currently, however, the company is unable to predict the outcome or estimate a possible loss or range of loss

24 Financial risks

Credit risk

The sum of the total cash and total debtor balances as per notes 14 and 15 gives a maximum credit risk exposure of £119,862,355 (2011 £109,675,688) The material concentration of this risk is in the United Kingdom, and the remainder relates to branches and representative offices as listed in the Directors' report

The company does not hold any collateral as security For the purposes of the company's disclosures regarding credit quality, all financial assets subject to credit risk fall into the category "Financial assets neither past due nor impaired"

Financial assets neither past due nor impaired can be analysed according to the geographical location used by the company when assessing customers and counterparties The majority of the company's domestic and international customers and counterparties are located in the United Kingdom

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

24 Financial risks *(continued)*

Liquidity risk

Liquidity risk arises from the time it takes to settle outstanding debtors and creditors that the company holds with customers and counterparties All of the company's financial assets and liabilities are payable on demand

Market risk

a) Interest rate risk
The only impact on income from interest rate fluctuations is on interest earned on cash balances

b) Foreign exchange risk
At 31 December 2012, the company had net US Dollar assets of £534,085 (2011 £817,106) and net Euro assets of £1,681,546 (2011 £1,552,943) All fall due within twelve months of the balance sheet date

	2012	2012
	£	£
Impact on profit for the year (loss) / gain	If currency weakens 10% vs GBP	If currency strengthens 10% vs GBP
US Dollar	(53,409)	53 409
Euro	(168,155)	168 155

In addition the company is exposed to currency fluctuations in the different currencies which it invoices clients Client fees are often calculated using a dollar denominated assets under management figure translated at quarter end rates, which also gives rise to a foreign exchange risk

Capital risk management
The company's objectives when managing capital are

- to safeguard the company's ability to continue as a going concern,
- to provide returns for shareholders and benefits for other stakeholders,
- to maintain an optimal capital structure to reduce the cost of capital,
- to maintain financial strength to support new business growth, and
- to satisfy the requirements of its clients and regulators

The board has a dividend payment policy in place, which assesses the distributable reserves of the company and its cash flow position in its decision to pay dividends This is consistent with prior years The company is subject to a base capital resources requirement of €50,000 for regulatory purposes The company has been in compliance with its capital requirements throughout the year and at the end of 2012 had a surplus of £55,211,336 In accordance with the rules of the Financial Services Authority the Pillar III risk management disclosure is available on the internet at www alliancebernstein com

25 Immediate and ultimate parent company

The company's immediate holding company is AllianceBernstein Preferred Limited a company registered in England and Wales The consolidated financial statements of AllianceBernstein L P (established in the State of Delaware, USA), within which this company is included, can be obtained from AllianceBernstein L P , 1345 Avenue of the Americas, New York N Y , USA

The ultimate holding company and controlling party is AXA S A , a French holding company for an international group of companies