

# AllianceBernstein Limited

## Annual Report

For the year ended 31 December 2015

Registered number: 02551144

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**Directors' report and consolidated financial statements  
for the year ended 31 December 2015**

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## **Directors and advisers**

### **Directors**

I Dawkins  
J Hagemeyer  
R Keith  
A Lavi  
D Lob  
A Schweizer

### **Company secretary**

M Manley

### **Registered Office**

50 Berkeley Street  
London  
United Kingdom  
W1J 8HA

### **Bankers**

HSBC Bank Plc  
79 Piccadilly  
London  
W1V 0EU

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

## Strategic report

*For the year ended 31 December 2015*

The directors present their strategic report and the audited consolidated financial statements for the year ended 31 December 2015.

### Principal activities

AllianceBernstein Limited (the "company") is incorporated in England and Wales, under the Companies Act 2006, as a private company limited by shares. The principal activities of the company and its subsidiary companies, AllianceBernstein Services Limited and AB Europe 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 Conduct Authority.

### Business review

The group recorded a profit on ordinary activities after taxation for the financial year of £16.0m in 2015 (2014: £15.7m). The group's turnover, which is derived from the wider group's global transfer pricing policy, decreased by 6% to £92.2m (2014: £97.9m). This decrease in turnover was mainly attributable to a corresponding reduction in administrative expenses.

Administrative expenses decreased by 6% to £71.8m (2014: £76.7m). This decrease was mainly driven by lower employee compensation, and promotion costs.

### Key Performance Indicators

The directors regard AUM as a key performance indicator. Closing AUM contracted with ABL was £18.7bn (2014: £18.6bn). The increase in AUM arose primarily from net asset inflows from new clients.

### Description of risks and uncertainties

#### *Business risk*

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

In August 2015, 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 a provision for debts that are not expected to be collected in full.

## Strategic report

*For the year ended 31 December 2015 (continued)*

### Description of risks and uncertainties *(continued)*

#### *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.

### Adoption of financial reporting standard 102

As at 1 January 2015, due to changes in UK GAAP, the company has adopted Financial Reporting Standard ("FRS") 102. The change to FRS 102 has had no material effect on the company's financial position or results.

### Future developments

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

On behalf of the board



I Dawkins  
Director

21/4/2016

Registered office:  
50 Berkeley Street  
London  
United Kingdom  
W1J 8HA

Company registered number: 02551144

## Directors' report for the year ended 31 December 2015

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

### Financial risk management

Financial risks and how the Company mitigates these risks has been addressed in note 23 to the financial statements.

### Branches and representative offices

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

### Dividends

The statement of income for the year is set out on page 8. A final dividend of £14.2m was recommended and paid during the year (2014: £14.8m).

### Directors

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

I Dawkins	(appointed 14 May 2015)
S Fay	(resigned 29 June 2015)
J Hagemeyer	(appointed 24 August 2015)
R Keith	
A Lavi	
D Lob	(appointed 29 June 2015)
D Peebles	(resigned 01 June 2015)
P Rudden	(resigned 31 October 2015)
A Schweizer	(appointed 01 June 2015)

### Directors' insurance

AllianceBernstein L.P. maintains insurance for the Directors in respect of their duties as directors of the company, including third party indemnity. This was in force in 2015 and up to the date of signing the financial statements.

### 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.

## Directors' report for the year ended 31 December 2015 (continued)

### 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.

### 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:

- 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 and the group 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 section 418 of the Companies Act 2006.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



I Dawkins  
Director

21/4/2016

Registered office:  
50 Berkeley Street  
London  
United Kingdom  
W1J 8HA

Company registered number: 02551144

## **Independent auditors' report to the members of AllianceBernstein Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, AllianceBernstein Limited's group financial statements and parent company financial statements ("the financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit and cash flows 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.

#### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the consolidated and parent company statements of financial position as at 31 December 2015;
- the consolidated statement of income and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements 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".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, 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.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



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

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 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) ("ISAs (UK & 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.

#### **What an audit of financial statements involves**

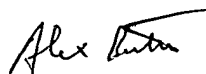
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



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

21/04/

2016

**Consolidated statement of income**  
*For the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
<b>Revenue</b>		<b>92,242,446</b>	97,912,997
Administrative expenses		(71,769,289)	(76,668,699)
Other operating income and charges	6	(199,875)	(44,060)
<b>Operating profit</b>		<b>20,273,282</b>	21,200,238
Finance income	7	134,662	85,425
Finance costs	8	(68,226)	-
<b>Profit on ordinary activities before taxation</b>	3	<b>20,339,718</b>	21,285,663
Tax on profit on ordinary activities	9	(4,320,999)	(5,586,121)
<b>Profit for the financial year</b>	20	<b>16,018,719</b>	15,699,542
<b>Profit for the financial year</b>			
The company		15,062,646	14,657,159
Group undertakings		956,073	1,042,383
	20	<b>16,018,719</b>	15,699,542

All the amounts above are in respect of continuing operations.

**Consolidated statement of Comprehensive Income**  
*For the year ended 31 December 2015*

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	16,018,719	15,699,542
Currency translation difference	(58,759)	(79,441)
<b>Other comprehensive income</b>	<b>15,959,960</b>	15,620,101


Further comments on the statement of income and retained earnings and the statement of comprehensive income line items are presented in the notes to the financial statements.

**Consolidated statement of financial position**  
*At 31 December 2015*

	<i>Note</i>	2015	2014
		£	£
<b>Fixed assets</b>			
Property, plant and equipment	11	4,096,744	4,854,838
<b>Current assets</b>			
Trade receivables	13	75,754,005	75,745,629
Cash	14	65,294,254	63,204,403
		<u>141,048,259</u>	<u>138,950,032</u>
Creditors: amounts falling due within one year	16	(29,455,386)	(33,180,502)
Net current assets		<u>111,592,873</u>	<u>105,769,530</u>
<b>Total assets less current liabilities</b>		<u>115,689,617</u>	<u>110,624,368</u>
Provisions for liabilities	17	(6,203,237)	(2,877,381)
<b>Net assets</b>		<u><u>109,486,380</u></u>	<u><u>107,746,987</u></u>
<b>Equity</b>			
Called up share capital	18	19,286,524	19,286,524
Profit and loss account	20	90,199,856	88,460,463
<b>Total shareholders' funds</b>	19	<u><u>109,486,380</u></u>	<u><u>107,746,987</u></u>

Further comments on the consolidated statement of financial position are presented in the notes to the financial statements.

These financial statements on pages 13 to 25 were approved by the board of directors on 2016 and were signed on its behalf by:

  
I Dawkins  
Director  
21/4/2016

AllianceBernstein Limited  
Company registered number: 02551144

## Company statement of financial position

At 31 December 2015

	Note	2015	2014
		£	£
<b>Fixed assets</b>			
Property, plant and equipment	11	63,164	12,345
Investments	12	1,417,102	1,417,102
		<u>1,480,266</u>	<u>1,429,447</u>
<b>Current assets</b>			
Trade receivables	13	73,489,517	74,633,890
Cash at bank	14	63,690,979	61,752,730
		<u>137,180,496</u>	<u>136,386,620</u>
Creditors: amounts falling due within one year	16	(27,891,111)	(31,583,862)
Net current assets		<u>109,289,385</u>	<u>104,802,758</u>
<b>Total assets less current liabilities</b>		<u>110,769,651</u>	<u>106,232,205</u>
Provisions for liabilities	17	(6,203,236)	(2,507,869)
<b>Net assets</b>		<u><u>104,566,415</u></u>	<u><u>103,724,336</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	19,286,524	19,286,524
Profit and loss account	20	85,279,891	84,437,812
<b>Total shareholders' funds</b>	19	<u><u>104,566,415</u></u>	<u><u>103,724,336</u></u>

Further comments on the company statement of financial position are presented in the notes to the financial statements.

These financial statements on pages 13 to 25 were approved by the board of directors on  
by:

2016 and were signed on its behalf



I Dawkins  
Director

21/4/2016

AllianceBernstein Limited  
Company registered number: 02551144

**Consolidated statement of changes in equity**  
*For the year ended 31 December 2015*

Note

	Called-up share capital	Retained Earnings	Total Shareholder funds
<b>Balance at 31st December 2013</b>	<b>19,286,524</b>	<b>87,625,855</b>	<b>106,912,379</b>
Income for the year	20 -	15,620,101	15,620,101
Dividends	10 -	(14,785,493)	(14,785,493)
Comprehensive income for the year	-	834,608	834,608
<b>Balance at 31st December 2014</b>	<b>19,286,524</b>	<b>88,460,463</b>	<b>107,746,987</b>
Income for the year	20 -	15,959,960	15,959,960
Dividends	10 -	(14,220,567)	(14,220,567)
Comprehensive income for the year	-	1,739,393	1,739,393
<b>Balance at 31st December 2015</b>	<b>19,286,524</b>	<b>90,199,856</b>	<b>109,486,380</b>

**Company statement of changes in equity**  
*For the year ended 31 December 2015*

	Called-up share capital	Retained Earnings	Total Shareholder funds
<b>Balance at 31st December 2013</b>	<b>19,286,524</b>	<b>84,566,146</b>	<b>103,852,670</b>
Income for the year	-	14,657,159	14,657,159
Dividends	-	(14,785,493)	(14,785,493)
Comprehensive income for the year	-	(128,334)	(128,334)
<b>Balance at 31st December 2014</b>	<b>19,286,524</b>	<b>84,437,812</b>	<b>103,724,336</b>
Income for the year	-	15,062,646	15,062,646
Dividends	-	(14,220,567)	(14,220,567)
Comprehensive income for the year	-	842,079	842,079
<b>Balance at 31st December 2015</b>	<b>19,286,524</b>	<b>85,279,891</b>	<b>104,566,415</b>

**Consolidated statement of cash flows**  
*For the year ended 31 December 2015*

	2015 £	2014 £
<b>Net cash from operating activities *</b>	<b>20,710,075</b>	<b>45,996,250</b>
Taxation paid	(3,769,080)	(3,044,743)
<b>Net cash generated from operating activities</b>	<b>16,940,995</b>	<b>42,951,507</b>
 <b>Cash flow from investing activities</b>		
Purchase of tangible assets	(697,013)	(343,212)
Interest received	134,662	85,425
<b>Net cash used in investing activities</b>	<b>(562,351)</b>	<b>(257,787)</b>
 <b>Cash flow from financing activities</b>		
Dividends paid	(14,220,567)	(14,785,493)
Interest paid	(68,226)	-
<b>Net cash used in financing activities</b>	<b>(14,288,793)</b>	<b>(14,785,493)</b>
 <b>Net increase in cash and cash equivalents</b>	<b>2,089,851</b>	<b>27,908,227</b>
Cash and cash equivalents at the beginning of the year	63,204,403	35,296,176
<b>Cash and cash equivalents at the end of the year</b>	<b>65,294,254</b>	<b>63,204,403</b>
 <b>Cash and cash equivalents consists of:</b>		
Cash at bank	65,294,254	63,204,403
 *		
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
 <b>Operating profit</b>	<b>20,273,282</b>	<b>21,200,238</b>
Depreciation of tangible assets	1,455,107	1,473,563
Deferred tax asset amortisation	(190,812)	(1,427,203)
Foreign currency exchange (loss)/gain	(257,785)	8,027
Increase in corporation tax provision	(162,080)	(1,201,643)
(Increase)/decrease in debtors	(8,376)	23,155,928
(Decrease)/increase in creditors	(399,261)	2,787,340
<b>Net cash flow from operating activities</b>	<b>20,710,075</b>	<b>45,996,250</b>

## Notes to the financial statements for the year ended 31 December 2015

### 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*

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The principal accounting policies which have been applied consistently throughout the year are set out below.

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.

#### *Going Concern*

The financial statements have been prepared on a going concern basis. The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of AllianceBernstein Limited and all its subsidiary undertakings. These financial statements are made up to 31 December 2015. The consolidated financial statements are based on financial statements that are coterminous with those of the parent company, and also on uniform accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### *Property, plant and equipment 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

## Notes to the financial statements for the year ended 31 December 2015 *(continued)*

### 1 Accounting policies *(continued)*

#### *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.

#### *Functional currencies*

The functional currency of the company is pound sterling. 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 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 statement of income to the closing rate in the statement of financial position are taken directly to the consolidated statement of comprehensive income.

#### *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, including the effect of lease incentives, are charged to the statement of income on a straight line basis over the life of the lease.

#### *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. Once contributions have been made the group has no further payment obligation.

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 statement of income.



## Notes to the financial statements for the year ended 31 December 2015 *(continued)*

### 1 Accounting policies *(continued)*

#### ***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.

#### ***Cash***

Cash includes deposits held at call with banks and bank overdrafts. The company's cash balances are held by HSBC which is an independently rated party with an AA rating.

#### ***Revenue***

Revenue comprises investment management fees, advisory fees and management recharges received from group companies in respect of services rendered by the group. Revenue 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 (right to receive payment is established).

#### ***Interest***

Interest income is recognised using the effective interest rate method.

#### ***Financial assets***

The company recognises financial assets initially at fair value from the trade date, and continues to recognise them through the statement of income 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.

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 1 Accounting policies (continued)

#### Long term incentive scheme

The Company participates in a group wide deferred incentive compensation scheme for selected employees of the Company. Awards are granted to certain employees under this scheme in the form of AllianceBernstein Holding Units which have the option to be received in cash ('deferred cash'). The awards vest over four years. The cost of employee services received in respect of the stock awards or deferred cash is fully recognised in the income statement in the year that the award is granted as the directors do not believe there are substantive service conditions.

#### Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 2 Turnover

The turnover and profit before taxation are attributable to the principal activities of the company. An analysis of turnover by geographical location is as follows:

	2015	2014
	£	£
UK	9,869,730	9,422,703
Overseas	82,372,716	88,490,294
	<u>92,242,446</u>	<u>97,912,997</u>

### 3 Profit on ordinary activities before taxation

	2015	2014
Group	£	£

*In addition to wages, salaries, and other related employee costs in note 5, this is stated after charging:*

Auditors' remuneration		
- audit of the company's annual financial statements	67,350	64,350
Fees payable to the Auditors' for other services:		
- audit of company's subsidiaries	31,237	30,237
- taxation services	12,000	12,000
- quarterly reviews and other services	7,500	-
Depreciation and other amounts written off	1,433,179	1,473,563
Severance payments	755,944	196,790
Rent of premises - rentals payable under operating leases	3,944,934	3,941,198

### 4 Remuneration of directors

	2015	2014
	£	£
Directors' emoluments	1,437,450	2,304,540
Aggregate amounts receivable under long term incentive schemes	706,099	1,070,290
Contributions to defined contribution pensions	40,074	53,050
	<u>2,183,623</u>	<u>3,427,880</u>

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 4 Remuneration of directors (continued)

The aggregate emoluments of the highest paid director were £1,167,423 (2014: £975,390). Pension contributions paid on behalf of the highest paid director during the year were £20,810 (2014: £20,810). Money received by the highest paid director under long term incentive schemes was £692,002 (2014: £535,312).

The number of directors to whom retirement benefits are accruing under a defined contribution pension plan was 2 (2014: 3).

The number of directors in respect of whose qualifying services shares were received or receivable under a long term incentive scheme was 2 (2014: 3).

Certain Directors of the company have emoluments paid by related entities of the company, which makes no recharge to the company. The services provided by these Directors to this company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services of their respective related entities. Accordingly, the above details include no remuneration in respect to these directors.

### 5 Staff numbers and costs

The aggregate payroll costs were as follows:

	2015 £	2014 £
Wages and salaries	35,445,157	38,229,759
Social security costs	4,820,344	5,973,507
Other pension costs	1,677,495	1,352,211
	<u>41,942,996</u>	<u>45,555,477</u>

The monthly average number of employees during the year was 191 (2014: 188).

	2015	2014
Monthly average number of employees by business group		
Front office	127	120
Administrative and central functions	64	68
	<u>191</u>	<u>188</u>

### 6 Other operating income and charges

	2015 £	2014 £
Net gain on available for sale investments	-	43
Net exchange loss on other operations	(199,875)	(44,103)
	<u>(199,875)</u>	<u>(44,060)</u>

### 7 Other interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	<u>134,662</u>	<u>85,425</u>

### 8 Interest payable and similar charges

	2015 £	2014 £
Interest payable in respect of tax charges	<u>68,226</u>	<u>-</u>

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 9 Tax on profit on ordinary activities

Analysis of tax charge	2015 £	2014 £
<b>Current tax :</b>		
United Kingdom Corporation tax at 20.25% (2014: 21.49%)	4,123,232	4,074,578
Foreign taxes	212,926	224,098
Trade Tax	45,688	57,912
Double tax relief	(142,283)	(64,831)
Adjustments in respect of prior periods - UK Tax	(122,773)	(128,857)
Adjustments in respect of prior periods - Foreign Taxes	13,397	(3,982)
<b>Total current tax</b>	<b>4,130,187</b>	<b>4,158,918</b>
<b>Deferred tax (see note 15)</b>		
Origination of timing differences	190,812	1,427,203
<b>Tax on profit on ordinary activities</b>	<b>4,320,999</b>	<b>5,586,121</b>

#### Factors affecting tax charge for the year

The current tax charge for the year is higher (2014: lower) than the standard effective rate of corporation tax in the UK 20.25% (2014: 21.49%). The differences are explained below.

	2015 £	2014 £
<b>Profit on ordinary activities before taxation</b>	<b>20,339,718</b>	<b>21,285,663</b>
UK corporation tax charge on profits of the year at 20.25% (2014: 21.49%)	4,065,147	4,503,332
Additional German corporation tax charge on profit of the year at 32.98% (2014: 32.98%)	86,238	109,891
Effect of disallowable expenditure	265,580	213,617
Adjustments in respect of prior periods - UK Tax	(176,984)	(128,857)
Adjustments in respect of prior periods - Foreign Taxes	13,397	(3,982)
Timing difference – Rate (20.25% to 20%) & rounding	(3,022)	-
Timing difference – Excess depreciation over capital allowances	-	(254,388)
Timing differences - Deferred Compensation	-	(439,962)
Double tax relief	(142,283)	(64,831)
Foreign taxes	212,926	224,098
<b>Total current tax</b>	<b>4,320,999</b>	<b>4,158,918</b>

#### Factors that may affect future tax charges

The standard rate corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly the company's profits are taxed at an effective rate of 20.25%. In the March 2015 UK Budget Statement a resolution was passed by Parliament to maintain the main rate of corporation tax at 20% from 1 April 2016.

A deferred tax charge of £190,812 was recognised during the year (2014: £1,427,203 charge). The 2015 deferred tax charge relates to timing differences between the tax written down value and net book value of qualifying assets.

**Notes to the financial statements for the year ended 31 December 2015** *(continued)*

**10 Dividend**

	2015	2014
	£	£
<b>Equity</b>		
Preferred Shares (2015): £0.7367 (2014: £0.7367) per £1 share	14,220,567	14,785,493
Ordinary Class B Shares (2015): £nil (2014: £nil) per £1 share	-	-
	<u>14,220,567</u>	<u>14,785,493</u>

**11 Tangible assets**

	Leasehold improvements	Furniture, fixtures and fittings	Computers and other equipment	Total
Group	£	£	£	£
<b>Cost</b>				
At beginning of the year	8,108,341	1,107,062	2,520,444	11,735,847
Additions	137,818	176,471	382,724	697,013
Disposals	-	-	(90,099)	(90,099)
At end of the year	<u>8,246,159</u>	<u>1,283,533</u>	<u>2,813,069</u>	<u>12,342,761</u>
<b>Accumulated depreciation</b>				
At beginning of the year	4,803,502	497,316	1,580,191	6,881,009
Charge for the year	825,401	297,118	310,660	1,433,179
Disposals	-	-	(68,171)	(68,171)
At end of the year	<u>5,628,903</u>	<u>794,434</u>	<u>1,822,680</u>	<u>8,246,017</u>
<b>Net book value</b>				
At 31 December 2015	<u>2,617,256</u>	<u>489,099</u>	<u>990,389</u>	<u>4,096,744</u>
At 31 December 2014	<u>3,304,839</u>	<u>609,746</u>	<u>940,253</u>	<u>4,854,838</u>
	Leasehold improvements	Furniture, fixtures and fittings	Computers and other equipment	Total
<b>Company</b>	£	£	£	£
<b>Cost</b>				
At beginning of the year	15,733	133,883	141,178	290,794
Additions	36,789	8,164	16,703	61,656
Disposals	-	-	(65,425)	(65,425)
At end of the year	<u>52,522</u>	<u>142,047</u>	<u>92,456</u>	<u>287,025</u>
<b>Accumulated depreciation</b>				
At beginning of the year	12,737	133,883	131,829	278,449
Charge for the year	3,529	1,021	6,288	10,838
Disposals	-	-	(65,426)	(65,426)
At end of the year	<u>16,266</u>	<u>134,904</u>	<u>72,691</u>	<u>223,861</u>
<b>Net book value</b>				
At 31 December 2015	<u>36,256</u>	<u>7,143</u>	<u>19,765</u>	<u>63,164</u>
At 31 December 2014	<u>2,996</u>	<u>-</u>	<u>9,349</u>	<u>12,345</u>

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 12 Fixed asset investments

	Company	
	2015	2014
	£	£
<b>Shares in group undertakings</b>		
AllianceBernstein Services Limited	1,400,000	1,400,000
AB Europe GmbH	17,102	17,102
	<u>1,417,102</u>	<u>1,417,102</u>

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, AB Europe 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 Trade Receivables

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	3,314,871	2,617,702	3,314,872	2,617,702
Amounts owed by group undertakings	59,603,369	57,820,391	60,879,236	60,502,439
Other debtors	1,009,285	799,096	321,498	280,563
Net deferred tax assets (see note 14)	2,055,158	2,245,970	1,343,163	1,410,210
Prepayments and accrued income	9,771,322	12,262,470	7,630,748	9,822,976
<b>Total debtors</b>	<u>75,754,005</u>	<u>75,745,629</u>	<u>73,489,517</u>	<u>74,633,890</u>

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Prepayments and accrued income includes £3.75m due in more than one year. Group net deferred tax includes an estimated £1,864k (2014: £819k) due in more than one year. Company net deferred tax includes an estimated £1,276k (2014: £196k).

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

### 14 Cash

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Cash	65,294,254	63,204,403	63,690,979	61,752,730
	<u>65,294,254</u>	<u>63,204,403</u>	<u>63,690,979</u>	<u>61,752,730</u>

Cash includes deposits held at call with banks and bank overdrafts. The company's cash balances are held by HSBC which is an independently rated party with an AA rating.

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 15 Deferred taxation

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Deferred tax asset brought forward	2,245,970	3,673,172	1,410,210	2,624,251
Timing difference between accumulated depreciation and capital allowances	(223,744)	(236,716)	(5,426)	(4,986)
Difference arising on provisions and accruals that become tax deductible once paid	(21,279)	(409,397)	(35,632)	(416,604)
Prior year adjustment and rounding difference	54,211	(781,089)	(25,989)	(792,451)
Deferred tax asset carried forward	<u>2,055,158</u>	<u>2,245,970</u>	<u>1,343,163</u>	<u>1,410,210</u>
Timing difference between accumulated depreciation and capital allowances	747,216	747,216	25,791	25,791
Difference arising on provisions and accruals that become tax deductible once paid	1,307,942	1,498,754	1,317,372	1,384,419
Deferred tax carried forward	<u>2,055,158</u>	<u>2,245,970</u>	<u>1,343,163</u>	<u>1,410,210</u>

Recognition has been reported for a deferred tax asset of £2,055,158 (2014: £2,245,970 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.

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

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade payables	49,035	52,559	37,643	45,148
Amortisation of lease incentives	39	727,760	39	727,759
Amounts owed to group undertakings	502,890	2,253,147	1,230,726	3,006,500
Taxation and social security	25,384,584	24,118,515	25,008,138	23,807,780
Accruals and deferred income	3,518,838	6,028,521	1,614,565	3,996,675
	<u>29,455,386</u>	<u>33,180,502</u>	<u>27,891,111</u>	<u>31,583,862</u>
<b>Taxation and social security comprises</b>				
Corporation tax payable	2,084,770	1,946,497	1,986,635	1,845,674
VAT, PAYE and National Insurance	23,299,814	22,172,018	23,021,503	21,962,106
	<u>25,384,584</u>	<u>24,118,515</u>	<u>25,008,138</u>	<u>23,807,780</u>

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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.

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 17 Provisions for liabilities

	Group £	Company £
at 1 January 2015	2,877,381	2,507,869
Charged to the profit and loss account	5,255,351	5,255,350
Utilised during the year	(1,929,495)	(1,559,983)
at 31 December 2015	<u>6,203,237</u>	<u>6,203,236</u>

The provisions set out above have been made for an onerous contract relating to office space leased by the company, and also a litigation provision as discussed in Note 20. During 2015 the amount relating to the unwinding of discounts on the commitment under onerous leases was £76,218 (2014: £63,644).

### 18 Called up share capital

	Company	
	2015 £	2014 £
<i>Issued and fully paid</i>		
Preferred Shares of £1 each	9,651,994	9,651,994
Ordinary Class B Shares of £1 each	<u>9,634,530</u>	<u>9,634,530</u>
	<u>19,286,524</u>	<u>19,286,524</u>

### 19 Reconciliation of movements in shareholders' funds

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Total shareholders' funds at 1 January 2015	107,746,987	106,912,379	103,724,336	103,852,670
Profit for the financial year	16,018,719	15,699,542	15,062,646	14,657,159
Dividends (see note 9)	(14,220,567)	(14,785,493)	(14,220,567)	(14,785,493)
Currency translation difference	(58,759)	(79,441)	-	-
Total shareholders' funds at 31 December 2015	<u>109,486,380</u>	<u>107,746,987</u>	<u>104,566,415</u>	<u>103,724,336</u>

### 20 Profit and loss account

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
At 1 January	88,460,463	87,625,855	84,437,812	84,566,146
Profit for the financial year	16,018,719	15,699,542	15,062,646	14,657,159
Dividends (see note 9)	(14,220,567)	(14,785,493)	(14,220,567)	(14,785,493)
Currency translation difference	(58,759)	(79,441)	-	-
At 31 December	<u>90,199,856</u>	<u>88,460,463</u>	<u>85,279,891</u>	<u>84,437,812</u>



## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21 Financial instruments

The group has the following financial instruments	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Financial assets measured at amortised cost</b>				
Trade debtors	3,314,871	2,617,702	3,314,872	2,617,702
Amounts owed by group undertakings	59,603,369	57,820,391	60,879,236	60,502,439
Other debtors	1,009,285	799,096	321,498	280,563
Cash at bank and in hand	65,294,254	63,204,403	63,690,979	61,752,730
	<u>129,221,779</u>	<u>124,441,592</u>	<u>128,206,585</u>	<u>125,153,434</u>
<b>Financial liabilities measured at amortised cost</b>				
Trade payables	49,035	52,559	37,643	45,148
Amounts owed to group undertakings	502,890	2,253,147	1,230,726	3,006,500
Taxation and social security	25,384,584	24,118,515	25,008,138	23,807,780
Accruals and deferred income	3,518,838	6,028,521	1,614,565	3,996,675
	<u>29,455,347</u>	<u>32,452,742</u>	<u>27,891,072</u>	<u>30,856,103</u>

### 22 Related party transactions

During the year transactions relating to the principal activities of both the group and the company arose with AllianceBernstein L.P. and its subsidiaries. These transactions included purchases paid on behalf of the group as well as services provided by the group. The net amount of these transactions for the year was £(33)k (2014: £23,413k) for the group, and £1,399k (2014: £28,933k) for the company. The balances due to and from group undertakings are listed in notes 13 and 16.

### 23 Commitments and contingencies

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

Group and Company	2015	2014
	£	£
Operating leases in respect of land and buildings:		
Due within 1 year	6,083,292	5,461,885
Due during years 2 to 5	24,333,168	24,300,032
Due after 5 years	9,124,938	15,187,520
	<u>39,541,398</u>	<u>44,949,437</u>

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. Such is also the case when 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.

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 23 Commitments and contingencies (continued)

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. On January 2, 2014, the client filed a claim form in the High Court of Justice in London, England regarding their alleged claim.

The company believes that 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 any negligence or other failure or malfeasance on its part. The company believes that it has strong defenses to these claims, which were set forth in the company's October 12, 2012 response to the Letter of Claim, and its June 27, 2014 Statement of Defence in response to the claim, and it intends to defend this matter vigorously. A provision of £3.75m has been made in the financial statements in relation to this matter with a related insurance recoverable.

### 24 Financial risks

#### Credit risk

The sum of the total cash and total debtor balances as per notes 13 and 14 gives a maximum credit risk exposure of £141,124,326 (2014: £138,886,827). 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. The company's cash balances are held by HSBC which is an independently rated party with an AA rating.

#### 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.

#### 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 2015, the company had net US Dollar assets of £664,376 (2014: £1,462,182) and net Euro assets of £586,306 (2014: £1,268,770). All fall due within twelve months of the balance sheet date.

	2015	2015
	£	£
Impact on profit for the year (loss) / gain	If currency weakens 10% vs GBP	If currency strengthens 10% vs GBP
US Dollar	(66,438)	66,438
Euro	(58,631)	58,631

## Notes to the financial statements for the year ended 31 December 2015 *(continued)*

### 24 Financial risks *(continued)*

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 2015 had a surplus of £75,820,380. In accordance with the rules of the Financial Conduct Authority the Pillar III risk management disclosure is available on the internet at [www.alliancebernstein.com](http://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.

### 26 FRS 102 Impact Statement

FRS 102 : The Financial Reporting Standard applicable in the UK and Republic of Ireland became effective for accounting periods beginning on or after 1 January 2015. These financial statements are presented under this new standard. The last financial statements prepared under the previous UKGAAP were for the year ended 31 December 2014. As the company presents comparative statements the date of transition to FRS 102 is 1 January 2014. There has been no financial impact of the standard on these financial statements and consequently no restatement of the profit and loss account, balance sheet or reserves has been required.