

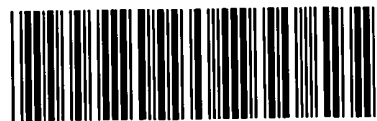
AllianceBernstein Limited

Annual Report

For the year ended 31 December 2017

Registered number: 02551144

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Directors, auditors and advisers

Directors	I Foster J Green J Hammond D Hutchins N Jolly L Mah M Phelps
Company secretary	L Quinn
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

Strategic report

For the year ended 31 December 2017

The directors present their strategic report and the audited consolidated financial statements for the year ended 31 December 2017.

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 for the financial year of £25.2m in 2017 (2016: £20.2m). The group's turnover, which is derived from the provision of investment management services and allocations from the wider group's global transfer pricing policy, increased by 19.21% to £109.2m (2016: £91.6m).

Administrative expenses increased by 16.34% to £78.1m (2016: £67.2m). This increase was mainly driven by higher employee compensation and promotion costs.

Key Performance Indicators

The directors regard AUM as a key performance indicator. Closing AUM contracted with ABL was £22.0bn (2016: £22.4bn). The decrease in AUM is primarily due to the appreciation of sterling.

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 2017, 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 directly 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 *(continued)*

For the year ended 31 December 2017

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 manages its exposure to liquidity risk by monitoring its cash balances, to ensure sufficient capital is available to meet its obligations as they come due.

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



J Green
Director
12 April 2018

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

Company registered number: 02551144

Directors' report

For the year ended 31 December 2017

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

Financial risk management

Financial risks and how the Company mitigates these risks has been addressed in note 24 to the financial statements.

Branches and representative offices

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

Dividends

The consolidated income statement for the year is set out on page 9. A final dividend of £7.1m was recommended and paid during the year (2016: £7.1m).

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:

J Hagemeyer	(resigned 31 July 2017)
J Green	(appointed 20 February 2017)
A Lavi	(resigned 3 November 2017)
D Lob	(resigned 31 July 2017)
A Schweizer	(resigned 31 July 2017)
L Mah	(appointed 31 July 2017)
N Jolly	(appointed 31 July 2017)
I Foster	(appointed 31 July 2017)
D Hutchins	(appointed 31 July 2017)
J Hammond	
M Phelps	(appointed 7 November 2017)

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 2017 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 *(continued)*
For the year ended 31 December 2017

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 Strategic Report, Directors' Report and the Consolidated 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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), 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;
- 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



J Green, Director
12 April 2018

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 audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company statements of financial position as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

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

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



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

12 April 2018

Consolidated income statement
For the year ended 31 December 2017

	<i>Note</i>	2017 £	2016 £
Revenue	2	109,243,938	91,640,632
Administrative expenses		(78,140,581)	(67,167,387)
Other operating income	6	240,474	882,471
Operating profit		31,343,831	25,355,716
Finance income	7	122,747	115,124
Finance costs	8	(6,860)	(39,999)
Profit on ordinary activities before taxation	3	31,459,718	25,430,841
Tax on profit on ordinary activities	9	(6,299,807)	(5,239,534)
Profit for the financial year	20	25,159,911	20,191,307

All the amounts above are in respect of continuing operations.

Consolidated statement of Comprehensive Income
For the year ended 31 December 2017

	2017 £	2016 £
Profit for the financial year	25,159,911	20,191,307
Currency translation difference	70,901	216,986
Total comprehensive income	25,230,812	20,408,293

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 2017

	Note	2017	2016
		£	£
Fixed assets			
Property, plant and equipment	11	3,144,173	3,615,121
Current assets			
Trade receivables	13	110,364,087	98,941,947
Cash	14	63,085,897	52,322,715
		<u>173,449,984</u>	<u>151,264,662</u>
Creditors: amounts falling due within one year	16	(35,479,378)	(31,505,250)
Net current assets		<u>137,970,606</u>	<u>119,759,412</u>
Total assets less current liabilities		<u>141,114,779</u>	<u>123,374,533</u>
Provisions for liabilities	17	(209,860)	(590,143)
Net assets		<u><u>140,904,919</u></u>	<u><u>122,784,390</u></u>
Equity			
Called up share capital	18	19,286,524	19,286,524
Retained earnings	20	121,618,395	103,497,866
Total shareholders' funds	19	<u><u>140,904,919</u></u>	<u><u>122,784,390</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 9 to 13 were approved by the board of directors on 12 April 2018 and were signed on its behalf by:

Green

J Green
Director
12 April 2018

AllianceBernstein Limited
Company registered number: 02551144

Company statement of financial position

At 31 December 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Property, plant and equipment	11		53,315		66,417
Investments	12		1,417,102		1,417,102
			<u>1,470,417</u>		<u>1,483,519</u>
Current assets					
Trade receivables	13	107,588,783		95,520,695	
Cash at bank	14	59,330,037		50,321,495	
		<u>166,918,820</u>		<u>145,842,190</u>	
Creditors: amounts falling due within one year	16	(34,576,393)		(30,199,301)	
Net current assets			<u>132,342,427</u>		<u>115,642,889</u>
Total assets less current liabilities			<u>133,812,844</u>		<u>117,126,408</u>
Provisions for liabilities	17		(209,860)		(590,143)
Net assets			<u><u>133,602,984</u></u>		<u><u>116,536,265</u></u>
Capital and reserves					
Called up share capital	18		19,286,524		19,286,524
Retained earnings	20		114,316,460		97,249,741
Total shareholders' funds	19		<u><u>133,602,984</u></u>		<u><u>116,536,265</u></u>

The company has taken section 408 exemption with respect to company profit and loss statement.

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

These financial statements on pages 9 to 13 were approved by the board of directors on 12-4 2018 and were signed on its behalf by:



J Green
Director

12 April. 2018

AllianceBernstein Limited
Company registered number: 0255114

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Note	Called-up share capital	Retained earnings	Total shareholders' funds
		£	£	£
Balance at 31st December 2015	19	19,286,524	90,199,856	109,486,380
Total comprehensive income for the year		-	20,408,293	20,408,293
Dividends	10	-	(7,110,283)	(7,110,283)
Balance at 31st December 2016	19	19,286,524	103,497,866	122,784,390
Total comprehensive income for the year		-	25,230,812	25,230,812
Dividends	10	-	(7,110,283)	(7,110,283)
Balance at 31st December 2017	19	19,286,524	121,618,395	140,904,919

Company statement of changes in equity
For the year ended 31 December 2017

	Note	Called-up share capital	Retained earnings	Total shareholders' funds
		£	£	£
Balance at 31st December 2015	19	19,286,524	85,279,891	104,566,415
Total comprehensive income for the year		-	19,080,133	19,080,133
Dividends	10	-	(7,110,283)	(7,110,283)
Balance at 31st December 2016	19	19,286,524	97,249,741	116,536,265
Total comprehensive income for the year		-	24,177,002	24,177,002
Dividends	10	-	(7,110,283)	(7,110,283)
Balance at 31st December 2017	19	19,286,524	114,316,460	133,602,984

Consolidated statement of cash flows
For the year ended 31 December 2017

	2017 £	2016 £
Net cash from operating activities *	24,795,446	162,437
Taxation paid	(6,299,807)	(5,239,534)
Net cash generated/(used) from operating activities	<u>18,495,639</u>	<u>(5,077,097)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(739,572)	(872,960)
Disposals of property, plant and equipment	1,511	13,676
Interest received	122,747	115,124
Net cash used in investing activities	<u>(615,314)</u>	<u>(744,160)</u>
Cash flow from financing activities		
Dividends paid	(7,110,283)	(7,110,283)
Interest paid	(6,860)	(39,999)
Net cash used in financing activities	<u>(7,117,143)</u>	<u>(7,150,282)</u>
Net increase/(decrease) in cash and cash equivalents	10,763,182	(12,971,539)
Cash and cash equivalents at the beginning of the year	52,322,715	65,294,254
Cash and cash equivalents at the end of the year	<u>63,085,897</u>	<u>52,322,715</u>
Cash and cash equivalents consists of:		
Cash at bank	<u>63,085,897</u>	<u>52,322,715</u>
*		
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	31,343,831	25,355,716
Depreciation of property, plant and equipment	1,209,009	1,340,907
Foreign currency translation gain	70,901	216,986
Increase in trade receivables	(11,422,140)	(23,187,942)
Increase/(decrease) in creditors	3,593,845	(3,563,230)
Net cash flow from operating activities	<u>24,795,446</u>	<u>162,437</u>

Notes to the financial statements for the year ended 31 December 2017

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 statement of income and statement of comprehensive income in these financial statements. The profit after tax of the company for the year was £24.2m, (2016: £19m) arising from the operations of the company.

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 2017. 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

Property, plant and equipment 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
Computers	-	3 years
Other equipment	-	6 years

Notes to the financial statements for the year ended 31 December 2017 (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 2017 *(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 and MUFG which have an independently rated party with an AA and A1 rating respectively.

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 receivables, is impaired. The factors that the company takes into account include age of the trade receivable and specific knowledge regarding the receivable.

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.

Employee benefits - deferred compensation

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.

Notes to the financial statements for the year ended 31 December 2017 *(continued)***1 Accounting policies** *(continued)***Critical accounting judgements and estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The Company is subject to income taxes, and judgement is required in determining the extent to which it is probable that taxable profits will be available in the future against which deferred tax assets can be utilised. Based on forecasts, the Company expects to recover its deferred tax asset within the next four years.

2 Revenue

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:

	2017	2016
	£	£
UK	12,683,068	10,419,277
Overseas	96,560,870	81,221,355
	<u>109,243,938</u>	<u>91,640,632</u>
	2017	2016
	£	£
IMA	49,795,813	44,587,867
Recharges	59,448,125	47,052,765
	<u>109,243,938</u>	<u>91,640,632</u>

3 Profit on ordinary activities before taxation

	2017	2016
	£	£
Group		

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

Remuneration		
- audit of the company's annual financial statements	58,880	67,350
Fees payable to the Auditors' for other services:		
- audit of company's subsidiaries	33,700	31,087
- taxation services	-	-
- quarterly reviews and other services	-	-
Depreciation	1,209,009	1,340,907
Severance payments	480,447	1,182,528
Rent of premises - rentals payable under operating leases	3,604,127	3,401,866

4 Remuneration of directors

The remuneration of directors for their roles as directors of the Company was as follows:

	2017	2016
	£	£
Directors' emoluments	1,744,132	985,666
Aggregate amounts receivable under long term incentive schemes	690,589	567,143
	<u>2,434,721</u>	<u>1,552,809</u>

Notes to the financial statements for the year ended 31 December 2017 *(continued)***4 Remuneration of directors** *(continued)*

Excluded from the remuneration of directors disclosed above are amounts paid by the Company on behalf of related group companies. These costs are borne by the Company and not recharged. Total amounts not recharged are as follows:

	2017	2016
	£	£
Directors' emoluments	1,280,242	1,190,213
Aggregate amounts receivable under long term incentive schemes	860,863	702,629
Contributions to defined contribution pensions	46,484	26,970
	<u>2,187,589</u>	<u>1,919,812</u>

The highest paid director of the Company was determined using the highest amount paid for their role as director of the Company. There are directors who receive more total remuneration, as they have roles within other group companies, for which the total remuneration is paid by the Company and no recharge is made.

The aggregate emoluments of the highest paid director for their role as director of the Company were £870,248 (2016: £787,512). No pension contributions were paid on behalf of the highest paid director for their role as director of the Company during the year (2016: £nil). Money received by the highest paid director for their role as director of the Company under long term incentive schemes was £530,962 (2016: £496,953).

The number of directors to whom retirement benefits are accruing under a defined contribution pension plan was 6 (2016: 2).

The number of directors in respect of whose qualifying services shares were received or receivable under a long term incentive scheme was 7 (2016: 3).

5 Staff numbers and costs

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
The aggregate payroll costs were as follows:				
Wages and salaries	41,201,473	34,647,583	32,980,991	26,522,552
Social security costs	5,580,250	4,711,596	4,613,648	3,805,703
Other pension costs	1,321,474	1,280,994	946,078	863,462
	<u>48,103,197</u>	<u>40,640,173</u>	<u>38,540,717</u>	<u>31,191,717</u>

The monthly average number of employees during the year was 175 (2016: 180).

	2017	2016
Monthly average number of employees by business group		
Front office	117	115
Administrative and central functions	58	65
	<u>175</u>	<u>180</u>

6 Other operating income

	2017	2016
	£	£
Net exchange gain on other operations	<u>240,474</u>	<u>882,471</u>

7 Finance income

	2017	2016
	£	£
Bank interest receivable	<u>122,747</u>	<u>115,124</u>

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Finance cost	2017	2016
	£	£
Interest payable in respect of tax charges	6,860	39,999

9 Tax on profit on ordinary activities

Analysis of tax charge	2017	2016
	£	£
Current tax :		
United Kingdom Corporation tax at 19.25% (2016: 20%)	6,386,535	4,902,982
Foreign Tax	174,112	191,643
Trade tax	59,711	48,864
Double tax relief	(124,612)	(119,294)
Adjustments in respect of prior periods - UK Tax	-	(172,520)
Adjustments in respect of prior periods - Foreign Taxes	-	25,304
Total current tax	6,495,746	4,876,979
Deferred tax (see note 15)		
Origination of timing differences	(195,939)	362,555
Tax on profit on ordinary activities	6,299,807	5,239,534

Factors affecting tax charge for the year

The current tax charge for the year is higher (2016: higher) than the standard effective rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below

	2017	2016
	£	£
Profit on ordinary activities before taxation	31,459,718	25,430,841
UK corporation tax charge on profits of the year at 19.25% (2016: 20%)	6,028,052	5,030,503
Additional German corporation tax charge on profit of the year at 32.98% (2016: 32.98%)	103,372	91,779
Effect of disallowable expenditure	119,865	185,413
Adjustments in respect of prior periods - UK Tax	-	(165,814)
Adjustments in respect of prior periods - Foreign Taxes	-	25,304
Timing difference – Rate (20% to 19.25%) & rounding	(982)	-
Double tax relief	(124,612)	(119,294)
Foreign taxes	174,112	191,643
Total tax	6,299,807	5,239,534

Factors that may affect future tax charges

The company's profits are taxed at the standard rate corporation tax in the UK of 19.25%.

A deferred tax credit of £195,939 was recognised during the year (2016: £362,555 charge). The 2017 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 2017 (continued)

10 Dividends	Group and Company	
	2017	2016
	£	£
Equity		
Preferred Shares (2017): £0.7367 (2016: £0.7367) per £1 share	<u>7,110,283</u>	<u>7,110,283</u>

The amounts paid above were the final dividends for the financial years ended 31st December.

11 Property, plant and equipment

	Leasehold improvements	Furniture, fixtures and fittings	Computers and other equipment	Total
Group	£	£	£	£
Cost				
At beginning of the year	8,309,815	1,274,823	3,617,407	13,202,045
Additions	76,778	-	662,794	739,572
Disposals	(25,758)	-	-	(25,758)
At end of the year	<u>8,360,835</u>	<u>1,274,823</u>	<u>4,280,201</u>	<u>13,915,859</u>
Accumulated depreciation				
At beginning of the year	6,281,622	983,666	2,321,636	9,586,924
Charge for the year	415,797	179,468	613,744	1,209,009
Disposals	(24,247)	-	-	(24,247)
At end of the year	<u>6,673,172</u>	<u>1,163,134</u>	<u>2,935,380</u>	<u>10,771,686</u>
Net book value				
At 31 December 2017	<u>1,687,663</u>	<u>111,689</u>	<u>1,344,821</u>	<u>3,144,173</u>
At 31 December 2016	<u>2,028,193</u>	<u>291,157</u>	<u>1,295,771</u>	<u>3,615,121</u>
	Leasehold improvements	Furniture, fixtures and fittings	Computers and other equipment	Total
Company	£	£	£	£
Cost				
At beginning of the year	54,760	147,012	125,596	327,368
Additions	-	-	-	-
Disposals	(25,758)	-	-	(25,758)
At end of the year	<u>29,002</u>	<u>147,012</u>	<u>125,596</u>	<u>301,610</u>
Accumulated depreciation				
At beginning of the year	43,403	136,747	80,801	260,951
Charge for the year	-	2,188	9,403	11,591
Disposals	(24,247)	-	-	(24,247)
At end of the year	<u>19,156</u>	<u>138,935</u>	<u>90,204</u>	<u>248,295</u>
Net book value				
At 31 December 2017	<u>9,846</u>	<u>8,077</u>	<u>35,392</u>	<u>53,315</u>
At 31 December 2016	<u>11,357</u>	<u>10,265</u>	<u>44,795</u>	<u>66,417</u>

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Investments

	Company	
	2017	2016
	£	£
Shares in group undertakings		
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	
	2017	2016	2017	2016
	£	£	£	£
Trade receivables	1,888,598	1,167,794	1,888,598	1,167,794
Amounts owed by group undertakings	92,453,584	82,810,948	93,411,761	82,914,360
Other receivables	1,139,395	970,041	276,927	252,752
Net deferred tax assets (see note 15)	1,888,543	1,692,603	1,365,044	1,093,341
Prepayments and accrued income	12,993,967	12,300,561	10,646,453	10,092,448
Total receivables	<u>110,364,087</u>	<u>98,941,947</u>	<u>107,588,783</u>	<u>95,520,695</u>

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Group net deferred tax includes an estimated £1,889k (2016: £1,330k) expected to be utilised in more than one year. Company net deferred tax includes an estimated £1,365k (2016: £844k).

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

14 Cash

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash at bank	<u>63,085,897</u>	<u>52,322,715</u>	<u>59,330,037</u>	<u>50,321,495</u>

Cash includes deposits held at call with banks and bank overdrafts. The company's cash balances are held by HSBC and MUFG which are independently rated parties with AA- and A ratings respectively. AllianceBernstein Limited has access to a HSBC class guaranteed facility of £500,000 and £123,000.

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Deferred taxation

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred tax brought forward	1,692,603	2,055,158	1,093,341	1,343,163
Timing difference between accumulated depreciation and capital allowances	(71,957)	(90,309)	(1,910)	341
Difference arising on provisions and accruals that become tax deductible once paid	267,897	(265,539)	273,613	(236,818)
Prior year adjustment and rounding difference	-	(6,707)	-	(13,345)
Use of losses brought forward	-	-	-	-
Deferred tax asset carried forward	<u>1,888,543</u>	<u>1,692,603</u>	<u>1,365,044</u>	<u>1,093,341</u>
Timing difference between accumulated depreciation and capital allowances	446,339	520,368	15,276	19,258
Difference arising on provisions and accruals that become tax deductible once paid	1,442,204	1,172,235	1,349,768	1,074,083
Deferred tax carried forward	<u>1,888,543</u>	<u>1,692,603</u>	<u>1,365,044</u>	<u>1,093,341</u>

Recognition has been reported for a deferred tax asset of £1,888,543 (2016:£1,692,603 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	
	2017	2016	2017	2016
	£	£	£	£
Trade payables	52,939	79,063	45,117	56,981
Amortisation of lease incentives	-	-	-	-
Amounts owed to group undertakings	963,612	692,980	2,444,189	2,174,975
Taxation and social security	30,516,997	27,213,499	30,285,432	26,952,277
Accruals and deferred income	3,945,830	3,519,708	1,801,655	1,015,068
	<u>35,479,378</u>	<u>31,505,250</u>	<u>34,576,393</u>	<u>30,199,301</u>
Taxation and social security comprises				
Corporation tax payable	3,480,744	2,587,306	3,371,058	2,471,602
VAT, PAYE and National Insurance	27,036,253	24,626,193	26,914,374	24,480,675
	<u>30,516,997</u>	<u>27,213,499</u>	<u>30,285,432</u>	<u>26,952,277</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 2017 (continued)

17 Provisions for liabilities

	Group £	Company £
at 1 January 2017	590,143	590,143
Utilised during the year	(380,283)	(380,283)
at 31 December 2017	<u>209,860</u>	<u>209,860</u>

The provisions set out above have been made for an onerous contract relating to office space leased by the company. During 2017 the amount relating to the unwinding of discounts on the commitment under onerous leases was £43,943 (2016: £43,943).

18 Called up share capital

	Group and company	
	2017 £	2016 £
<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	
	2017 £	2016 £	2017 £	2016 £
Total shareholders' funds at 1 January	122,784,390	109,486,380	116,536,265	104,566,415
Profit for the financial year	25,159,911	20,191,307	24,177,002	19,080,133
Dividends (see note 10)	(7,110,283)	(7,110,283)	(7,110,283)	(7,110,283)
Currency translation difference	70,901	216,986	-	-
Total shareholders' funds at 31 December	<u>140,904,919</u>	<u>122,784,390</u>	<u>133,602,984</u>	<u>116,536,265</u>

20 Profit and loss account

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
At 1 January	103,497,866	90,199,856	97,249,741	85,279,891
Profit for the financial year	25,159,911	20,191,307	24,177,002	19,080,133
Dividends (see note 10)	(7,110,283)	(7,110,283)	(7,110,283)	(7,110,283)
Currency translation difference	70,901	216,986	-	-
At 31 December	<u>121,618,395</u>	<u>103,497,866</u>	<u>114,316,460</u>	<u>97,249,741</u>

Notes to the financial statements for the year ended 31 December 2017 (continued)

21 Financial instruments

The group has the following financial instruments	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Financial assets measured at amortised cost				
Trade receivables	1,888,598	1,167,794	1,888,598	1,167,794
Amounts owed by group undertakings	92,453,584	82,810,948	93,411,761	82,914,360
Other receivables	1,139,395	970,041	276,927	252,752
Cash at bank and in hand	63,085,897	52,322,715	59,330,037	50,321,495
Accrued income	10,451,194	9,841,246	10,451,194	9,841,246
	<u>169,018,668</u>	<u>147,112,744</u>	<u>165,358,517</u>	<u>144,497,647</u>
Financial liabilities measured at amortised cost				
Trade payables	52,939	79,063	45,117	56,981
Amounts owed to group undertakings	963,612	692,980	2,444,189	2,174,975
Accruals and deferred income	3,945,830	3,519,708	1,801,655	1,015,068
	<u>4,962,381</u>	<u>4,291,751</u>	<u>4,290,961</u>	<u>3,247,024</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 £(9,913)k (2016: £(23,398)k) for the group, and £(10,767)k (2016: £22,979k) 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:

	2017	2016
	£	£
Group and Company		
Operating leases in respect of land and buildings:		
Due within 1 year	5,406,803	5,613,125
Due during years 2 to 5	18,215,381	20,028,751
Due after 5 years	-	2,446,210
	<u>23,622,184</u>	<u>28,088,086</u>

Included within the amounts disclosed above is an expected uplift in rent, which is based on contractually stipulated rent review clauses within the company's lease arrangements.

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 losses.

As at 31st December 2017 the company had no ongoing, pending or threatened litigation matters.

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

24 Financial risks

Credit risk

The sum of the total cash and total receivable balances as per notes 13 and 14 gives a maximum credit risk exposure of £173,449,984 (2016: £151,264,662). 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 2017, the company had net US Dollar assets of £749,675 (2016: £1,173,453) and net Euro assets of £1,591,425 (2016: £514,509). All fall due within twelve months of the balance sheet date.

	2017	2017
	£	£
Impact on profit for the year (loss) / gain	If currency weakens 10% vs GBP	If currency strengthens 10% vs GBP
US Dollar	(74,967)	74,967
Euro	(159,142)	159,142

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.

Notes to the financial statements for the year ended 31 December 2017 *(continued)***24 Financial risks** *(continued)****Capital risk management*** *(continued)*

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. 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.

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.