

Alliance Capital Limited

**Directors' report and consolidated
financial statements**

Registered number 2551144

31 December 2004



Directors' report and financial statements

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Directors and advisors

Directors

ED Baker
SE Fay
I Lloyd (Appointed 1st June 2004)
M Luning (Appointed 1st June 2004)
MA Reeves (Appointed 1st June 2004)
DA Steyn

Secretaries

MR Manley
D Samuels

Registered Office

Devonshire House
1 Mayfair Place
London W1J 8AJ

Bankers

HSBC Bank Plc
79 Piccadilly
London W1V 0EU

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Solicitors

Linklaters
1 Silk Street
London EC2Y 8HQ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activities and business review

The principal activities of the company and its subsidiary companies are those of investment management and the provision of administrative services to group companies. One of the company's subsidiary undertakings, Dimensional Trust Management Limited, ceased its principal activity as a manager of authorised unit trusts in 1999 and was put into voluntary liquidation in March 2002. The company was fully liquidated on 18 June 2004. Besides that, the group pursued its normal activities throughout the year and intends to continue in these activities in the future. The company is regulated by the Financial Services Authority.

On 22 December 2003 a resolution was passed to issue 3,000,000 ordinary shares, at the nominal value of £1 each, to the holding company, Alliance Capital Management Corporation of Delaware. The purpose of the increase in share capital was to strengthen the company's regulatory capital.

Results and dividends

The retained profit for the year in the group was £12,243,739 (2003: profit of £9,126,499) and will be transferred to reserves.

The directors do not recommend the payment of a dividend (2003: £nil).

Directors and directors' interests

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

| | | |
|----|--------|---------------------------|
| ED | Baker | |
| SE | Fay | |
| I | Lloyd | (Appointed 1st June 2004) |
| MA | Reeves | (Appointed 1st June 2004) |
| DA | Steyn | |
| M | Luning | (Appointed 1st June 2004) |

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any group company as at 31 December 2004 (2003: £nil).

There are no other directors' interests requiring disclosure under section 234 of the Companies Act 1985.

Political and charitable donations

The group made no political or charitable donations during the year (2003: £nil).

Directors' report *(continued)*

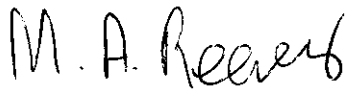
Auditors

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

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

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

By order of the board



MA Reeves
Director

18 April 2005
Devonshire House
1 Mayfair Place
London W1J 8AJ

Statement of directors' responsibilities

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

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

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

Report of the independent auditors to the members of Alliance Capital Limited

We have audited the financial statements on pages 6 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company and the group affairs as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 April 2005

Consolidated profit and loss account
For the year ended 31 December 2004

| | <i>Note</i> | 2004 £ | 2003 £ |
|--|-------------|---------------------|------------------|
| Turnover | | 79,412,952 | 55,167,474 |
| Administrative expenses | | (63,106,019) | (47,040,386) |
| Operating profit | | 16,306,933 | 8,127,088 |
| Profit on the disposal of fixed assets | 5 | 111,610 | 120,959 |
| Other interest receivable and similar income | 6 | 880,778 | 700,110 |
| Interest payable and similar charges | 7 | (105,153) | (86,646) |
| Profit on ordinary activities before taxation | 2 | 17,194,168 | 8,861,511 |
| Taxation | 8 | (4,950,429) | 264,988 |
| Profit on ordinary activities after taxation | | 12,243,739 | 9,126,499 |
| Profit for the financial year | 18 | 12,243,739 | 9,126,499 |
| Retained profit for the financial year | | | |
| The company | | 12,117,088 | 9,142,581 |
| Group undertakings | | 126,651 | (16,082) |
| | 18 | 12,243,739 | 9,126,499 |

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

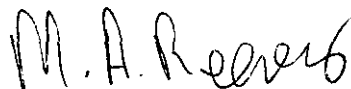
The notes on pages 9 to 19 form part of these accounts.

Consolidated balance sheet
At 31 December 2004

| | Note | 2004 | 2003 |
|--|------|-------------------|-------------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 9 | 5,924,442 | 6,747,118 |
| | | <u>5,924,442</u> | <u>6,747,118</u> |
| Current assets | | | |
| Investments | 11 | - | 1,083,739 |
| Debtors (including £1,029,809 (2003: £1,086,529) due after more than one year) | 12 | 27,558,667 | 13,418,452 |
| Cash at bank and in hand | | 26,555,537 | 22,805,778 |
| | | <u>54,114,204</u> | <u>37,307,969</u> |
| Creditors: amounts falling due within one year | 14 | (24,211,036) | (20,359,114) |
| | | <u>29,903,168</u> | <u>16,948,855</u> |
| Net current assets | | | |
| | | <u>29,903,168</u> | <u>16,948,855</u> |
| Total assets less current liabilities | | 35,827,610 | 23,695,973 |
| Creditors: amounts falling due after more than one year | 15 | (1,500,000) | (1,612,102) |
| | | <u>34,327,610</u> | <u>22,083,871</u> |
| Net assets | | 34,327,610 | 22,083,871 |
| | | <u>34,327,610</u> | <u>22,083,871</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 9,651,994 | 9,651,994 |
| Profit and loss account | 18 | 24,675,616 | 12,431,877 |
| | | <u>34,327,610</u> | <u>22,083,871</u> |
| Total shareholders' funds | 17 | 34,327,610 | 22,083,871 |
| | | <u>34,327,610</u> | <u>22,083,871</u> |

The notes on pages 9 to 19 form part of these accounts.

These financial statements were approved by the board of directors on 17 April 2005 and were signed on its behalf by:



MA Reeves
Director

Company balance sheet
At 31 December 2004

| | | £ | 2004 £ | £ | 2003 £ |
|--|----|----------------------------|-------------|----------------------------|-------------|
| Fixed assets | | | | | |
| Investments | 10 | | 1,400,000 | | 1,400,000 |
| | | | <hr/> | | <hr/> |
| | | | 1,400,000 | | 1,400,000 |
| Current assets | | | | | |
| Debtors (including £ nil (2003: £56,705) due after more than one year) | 12 | 23,736,783 | | 10,450,184 | |
| Cash at bank and in hand | | 25,931,463 | | 21,552,240 | |
| | | <hr/> | | <hr/> | |
| Creditors: amounts falling due within one year | 14 | 49,668,246 (15,903,784) | | 32,002,424 (10,355,050) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 33,764,462 | | 21,647,374 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 35,164,462 | | 23,047,374 |
| Creditors: amounts falling due after more than one year | 15 | | (1,500,000) | | (1,500,000) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 33,664,462 | | 21,547,374 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 9,651,994 | | 9,651,994 |
| Profit and loss account | 18 | | 24,012,468 | | 11,895,380 |
| | | | <hr/> | | <hr/> |
| Total shareholders' funds | 17 | | 33,664,462 | | 21,547,374 |
| | | | <hr/> | | <hr/> |

The notes on pages 9 to 19 form part of these accounts.

These financial statements were approved by the board of directors on 18 April 2005 and were signed on its behalf by:

M.A. Reeves

MA Reeves
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Cash flow statement and related party disclosures

The company is exempt from preparing a cash flow statement under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary of an entity which prepares consolidated financial statements which are publicly available. The consolidated financial statements of Alliance Capital Management LP, within which the company is included, can be obtained from the address given in Note 20.

The company is also exempt from the requirements of Financial Reporting Standard 8 concerning related party disclosures for the same reason and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Basis of consolidation

The group accounts consolidate the accounts of Alliance Capital Limited and all its subsidiary undertakings. These accounts are made up to 31 December 2004. The consolidated accounts are based on accounts, which are coterminous with those of the parent company.

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

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

Fixed assets and depreciation

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

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

In 2002, the company revised the estimated useful life of leasehold improvement assets and extended the useful life from 6 years to 10 years. This change was implemented effective 1 June 2002. The revised useful estimated life became effective on the net book value of the assets at that date.

Notes (continued)

1 Accounting policies (continued)

Fixed asset investments

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

Foreign currencies

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

Lease Commitments

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

Rent free period

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

Pension costs

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

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

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

Investments

Current asset investments are valued at net realisable value.

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 between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. Provision is made for any deferred taxation only to the extent that it is probable that an actual liability will crystallise. As the company is a member of a group for corporation tax purposes, deferred tax assets will not be recognised where losses will be passed between members of the group.

Notes (continued)

Turnover

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

2 Profit on ordinary activities before taxation

| | 2004 £ | 2003 £ |
|---|-------------|-------------|
| <i>This is stated after charging/(crediting)</i> | | |
| Auditors' remuneration: | | |
| Audit | | |
| - ACL | 50,500 | 54,955 |
| - Subsidiaries | 18,500 | 18,100 |
| Audit related services – ACL | 255,000 | 200,000 |
| Non audit services - ACL | | |
| - taxation | 7,800 | 38,927 |
| - Subsidiaries | | |
| - taxation | 4,600 | 4,600 |
| - other services | - | 3,228 |
| Depreciation and other amounts written off: | | |
| Tangible fixed assets | 1,933,082 | 1,964,219 |
| Exchange losses/(gains) | 5,221 | (24,109) |
| Rent of premises - rentals payable under other operating leases | 2,947,774 | 2,984,239 |
| Write-off of fixed asset investment | - | 32,139 |
| | <hr/> <hr/> | <hr/> <hr/> |

3 Remuneration of directors

| | 2004 £ | 2003 £ |
|-----------------------|-------------|-------------|
| Directors' emoluments | 4,423,304 | 2,494,559 |
| Pension contributions | 22,728 | 11,604 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 4,446,032 | 2,506,163 |

The aggregate emoluments of the highest paid director were £1,565,061 (2003: £952,902). No pension contributions were paid on behalf of the highest paid director during the year (2003: £nil).

The number of directors to whom retirement benefits are accruing under a defined contribution pension plan was 1 (2003: 1).

Notes (continued)

4 Staff numbers and costs

The aggregate payroll costs were as follows:

| | 2004 £ | 2003 £ |
|-----------------------|------------------------|------------------------|
| Wages and salaries | 26,376,156 | 20,563,877 |
| Social security costs | 3,066,581 | 2,131,355 |
| Other pension costs | 844,139 | 691,301 |
| | <hr/> 30,286,876 <hr/> | <hr/> 23,386,533 <hr/> |

The average number of employees during the year was 179 (2003: 165).

5 Profit on the disposal of fixed assets

| | 2004 £ | 2003 £ |
|--------------------------------------|-----------|-----------|
| Net proceeds from an insurance claim | 111,610 | 120,959 |

In 2003, Alliance Capital Services Limited incurred damage to fixed assets resulting in their write-off. The net proceeds recovered to 31 December 2004 from the resulting insurance claim amounted to £120,959. The tax effect of this item is a credit of £27,216.

6 Other interest receivable and similar income

| | 2004 £ | 2003 £ |
|--|---------------------|---------------------|
| Bank interest receivable | 787,385 | 484,627 |
| Rental of premises – rentals receivable under operating leases | 133,917 | 125,934 |
| Gain on sale of fixed asset | 43,215 | - |
| Unrealised gain on investment | (83,739) | 83,739 |
| Other | - | 5,810 |
| | <hr/> 880,778 <hr/> | <hr/> 700,110 <hr/> |

7 Interest payable and similar charges

| | 2004 £ | 2003 £ |
|--|-----------|-----------|
| Interest payable to parent undertaking | (105,153) | (86,646) |

Notes (continued)

8 Taxation

The taxation charge for the year is set out below.

Analysis of tax charge

| | 2004 £ | 2003 £ |
|--|-----------|-------------|
| UK corporation tax | | |
| Current tax on income for the year | 3,785,388 | 1,033,849 |
| Adjustments in respect of prior periods | (6,133) | 1,174 |
| | <hr/> | <hr/> |
| Total current tax | 3,779,255 | 1,035,023 |
| Deferred tax (see note 13) | | |
| Origination/reversal of timing differences | 1,171,174 | (1,300,011) |
| | <hr/> | <hr/> |
| Total deferred tax | 1,171,174 | (1,300,011) |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 4,950,429 | (264,988) |
| | <hr/> | <hr/> |

Factors affecting tax charge for the year

The current tax charge for the year is lower (2003: lower) than the standard rate of corporation tax in the UK (30%; 2003: 30%). The differences are explained below.

| | 2004 £ | 2003 £ |
|--|-------------|-----------|
| Profit on ordinary activities before corporation tax | 17,194,168 | 8,861,511 |
| | <hr/> | <hr/> |
| UK corporation tax charge on profits of the year at 30% (2003: 30%) | 5,158,250 | 2,658,453 |
| Effect of disallowable expenditure | 192,363 | 109,615 |
| Adjustments in respect of prior periods | 6,133 | 1,174 |
| Timing difference – Excess depreciation over capital allowances | 174,991 | 126,344 |
| Adjustments in respect of group relief | (401,100) | (970,820) |
| Adjustment for tax losses brought forward | (1,317,900) | (853,455) |
| Effect of non taxable income | (33,482) | (36,288) |
| | <hr/> | <hr/> |
| Total current tax charge | 3,779,255 | 1,035,023 |
| | <hr/> | <hr/> |

Factors that may affect future tax charges

Recognition has been reported for a £1,171,174 (2003: £1,300,011) deferred tax charge. This reflects the net effect of the reversal of the deferred tax asset recognised in 2003 partly offset by timing differences due to the difference between the tax written down value and net book value of qualifying assets in Alliance Capital Limited and Alliance Capital Services Limited and the difference arising from provisions and accruals that become tax deductible once paid in Alliance Capital Services Limited. It is envisaged that any tax will become recoverable in the foreseeable future.

Notes *(continued)*

9 Tangible fixed assets

| | Leasehold improvements | Furniture, fixtures & fittings | Equipment | Total |
|-----------------------------|---------------------------|--------------------------------------|-----------|------------|
| Group | £ | £ | £ | £ |
| Cost | | | | |
| At beginning of year | 8,075,036 | 4,260,317 | 3,915,751 | 16,251,104 |
| Additions | 232,410 | 152,023 | 725,973 | 1,110,406 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 8,307,446 | 4,412,340 | 4,641,724 | 17,361,510 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | |
| At beginning of year | 3,993,985 | 2,907,733 | 2,602,268 | 9,503,986 |
| Depreciation for the period | 615,994 | 490,221 | 826,867 | 1,933,082 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 4,609,979 | 3,397,954 | 3,429,135 | 11,437,068 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 December 2004 | 3,697,467 | 1,014,386 | 1,212,589 | 5,924,442 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2003 | 4,081,051 | 1,352,584 | 1,313,483 | 6,747,118 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)

10 Investments held as fixed assets

| | Group | | Company | |
|-----------------------------|-----------|-----------|------------------|------------------|
| | 2004 £ | 2003 £ | 2004 £ | 2003 £ |
| Shares in group undertaking | - | - | 1,400,000 | 1,400,000 |
| | <u>-</u> | <u>-</u> | <u>1,400,000</u> | <u>1,400,000</u> |

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

Alliance Capital Services Limited owned 100% of the issued share capital of Dimensional Trust Management Limited, a company registered in England and Wales. Its share capital consists of 50,000 ordinary £1 shares. Dimensional Trust Management Limited previously acted as a fund manager for the Dimensional Unit Trusts, but discontinued these activities during 1999. The company was fully liquidated on 18 June 2004 and the remaining assets and liabilities of the companies at this date were transferred to the holding company.

11 Current Asset Investments

| | Group | | Company | |
|--|-----------|------------------|-----------|-----------|
| | 2004 £ | 2003 £ | 2004 £ | 2003 £ |
| Investment in UK Growth Equity account | - | 1,083,739 | - | - |
| | <u>-</u> | <u>1,083,739</u> | <u>-</u> | <u>-</u> |

On 3 October 2003 the company provided £1,000,000 seed money investment for the new UK Growth Equity account. As at 31 December 2003 the market value of the listed investment within the account was £1,083,739. The UK Growth Equity account is a pooled portfolio invested in UK listed securities. ACSL invested the seed money in order to build a performance reputation for the portfolio so it could be marketed to external clients in future and the seed money then withdrawn.

On 11 November, 2004 the company redeemed its investment in the UK Growth Equity account. The difference between the proceeds received and the cost of the investment is recorded as a loss on sale of a fixed asset.

Notes (continued)

12 Debtors

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Amounts falling due within one year | | | | |
| Trade debtors | 7,447,268 | 967,472 | 7,447,268 | 967,472 |
| Amounts owed by group undertakings | 4,220,823 | 722,164 | 3,362,410 | 405,294 |
| Other debtors | 566,520 | 617,632 | 168,843 | 167,679 |
| Net deferred tax assets (see note 13) | 128,837 | 1,300,011 | 26,836 | 1,300,011 |
| Prepayments and accrued income | 14,165,410 | 8,724,644 | 12,731,426 | 7,553,023 |
| | <u>26,528,858</u> | <u>12,331,923</u> | <u>23,736,783</u> | <u>10,393,479</u> |
| Amounts falling due after more than one year | | | | |
| Rent deposits- | 1,029,809 | 1,086,529 | - | 56,705 |
| | <u>27,558,667</u> | <u>13,418,452</u> | <u>23,736,783</u> | <u>10,450,184</u> |

13 Deferred taxation

The elements of deferred taxation are:

| | Group | | Company | |
|--|----------------|------------------|---------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Difference between accumulated depreciation and capital allowances | 53,837 | 35,782 | 26,836 | 35,782 |
| Tax losses | - | 1,264,229 | - | 1,264,229 |
| Difference arising on provisions and accruals that become tax deductible once paid | 75,000 | - | - | - |
| Deferred tax asset (see note 12) | <u>128,837</u> | <u>1,300,011</u> | <u>26,836</u> | <u>1,300,011</u> |

The movement in the deferred tax asset has resulted in a £1,171,174 deferred taxation charge to the profit and loss account.

Notes (continued)

14 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Trade creditors | 211,604 | 182,110 | 105,719 | 80,554 |
| Amortisation of rent free period | 211,315 | 208,514 | - | - |
| Amounts owed to group undertakings | 10,039,660 | 9,975,133 | 2,899,520 | 1,129,365 |
| Taxation and social security | 11,983,793 | 8,422,436 | 11,956,568 | 8,422,436 |
| Accruals and deferred income | 1,764,664 | 1,570,921 | 941,977 | 722,695 |
| | <u>24,211,036</u> | <u>20,359,114</u> | <u>15,903,784</u> | <u>10,355,050</u> |
| Taxation and social security comprises | | | | |
| Corporation tax payable | 2,404,580 | 971,323 | 2,377,355 | 971,323 |
| Social security and value added tax | 9,579,213 | 7,451,113 | 9,579,213 | 7,451,113 |
| | <u>11,983,793</u> | <u>8,422,436</u> | <u>11,956,568</u> | <u>8,422,436</u> |

15 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Amortisation of rent free period: | - | 112,102 | - | - |
| Amounts owed to parent undertaking: | | | | |
| - subordinated loan due after more than 5 years | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| | <u>1,500,000</u> | <u>1,612,102</u> | <u>1,500,000</u> | <u>1,500,000</u> |

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

Notes (continued)

16 Called up share capital

| | Group and Company | |
|---|-------------------|------------|
| | 2004 £ | 2003 £ |
| Authorised | | |
| 10,000,000 ordinary shares of £1 each (2003: 10,000,000 shares) | 10,000,000 | 10,000,000 |
| | <hr/> | <hr/> |
| Allotted, called up and fully paid | | |
| 9,651,994 ordinary shares of £1 each (2003: 9,651,994 shares) | 9,651,994 | 9,651,994 |
| | <hr/> | <hr/> |

17 Shareholders' funds

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2004 £ | 2003 £ | 2004 £ | 2003 £ |
| Shareholders' funds at 1 January | 22,083,871 | 9,957,372 | 21,547,374 | 9,404,793 |
| Increase in share capital | - | 3,000,000 | - | 3,000,000 |
| Retained profit for the financial year | 12,243,739 | 9,126,499 | 12,117,088 | 9,142,581 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 34,327,610 | 22,083,871 | 33,664,462 | 21,547,374 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

On 22 December 2003 a resolution was passed to issue 3,000,000 ordinary shares, at the nominal value of £1 each, to the holding company, Alliance Capital Management Corporation of Delaware. The purpose of the increase in share capital was to strengthen the company's regulatory capital.

18 Reserves

| | Profit and loss account Group | | Profit and loss account Company | |
|--|----------------------------------|------------|------------------------------------|------------|
| | 2004 £ | 2003 £ | 2004 £ | 2003 £ |
| At beginning of year | 12,431,877 | 3,305,378 | 11,895,380 | 2,752,799 |
| Retained profit for the financial year | 12,243,739 | 9,126,499 | 12,117,088 | 9,142,581 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 24,675,616 | 12,431,877 | 24,012,468 | 11,895,380 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes *(continued)*

19 Commitments and contingencies

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

| | 2004 £ | 2003 £ |
|---|------------------|-----------|
| Group and Company | | |
| Operating leases which expire within one year | - | 425,762 |
| Operating leases which expire over five years | 3,097,600 | 3,038,710 |
| | <hr/> | <hr/> |

20 Immediate and ultimate parent company

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

The ultimate holding company is AXA, S.A., a French holding company for an international group of companies and a worldwide leader in financial protection and wealth management.