

# AllianceBernstein Preferred Limited

Annual Report

For the year ended 31 December 2013

Registered number 07095725



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

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## Directors and advisers

<b>Directors</b>	I. Mangan MR Manley
<b>Company secretary</b>	A Fowler
<b>Registered office</b>	50 Berkeley Street London United Kingdom W1J 8HA
<b>Bankers</b>	HSBC Bank Plc 79 Piccadilly London W1V 0EU
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RI

## Strategic report

*For the year ended 31 December 2013*

The directors present their strategic report and the audited financial statements for the year ended 31 December 2013

### Principal activities

AllianceBernstein Preferred Limited (the "company") was incorporated under the Companies Act 2006 as a private company limited by shares on 4 December 2009. The company's functional currency is United States Dollars and its principal activity is to act as a holding company for AllianceBernstein Limited and AllianceBernstein (Luxembourg) S a r l.

### Business Review

The company will continue to act as the holding company of both AllianceBernstein Limited and AllianceBernstein (Luxembourg) S a r l.

### Key Performance Indicators (KPIs)

The directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the company.

### Future developments

On January 20, 2014, AllianceBernstein LP signed a share purchase agreement for it or its associates, with Formuepleje A/S, Fondsmæglerselskab and certain individual shareholders to acquire CPH Capital Fondsmæglerselskab A/S, a Danish asset management firm that currently manages approximately \$3 billion in global core equity assets for institutional investors. This acquisition requires approval from the Danish Financial Services Authority, which approval is expected in April 2014. It is intended that the company will acquire CPH Capital using intragroup debt to fund the acquisition.

On behalf of the board



Director  
25/4/2014

Company registered number 07095725

MARK MANLEY

Registered office  
50 Berkeley Street  
London  
United Kingdom  
W1J 8HA

## **Directors' report**

*For the year ended 31 December 2013*

The directors present their annual report and the audited financial statements for the year ended 31 December 2013

### **Results and dividends**

The company's loss for the financial year was \$9,770 (2012 profit \$12,538)

A dividend of \$13 938 436 was recommended by the directors and paid during the year (2012 \$nil)

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are as follows

L. Mangan  
Mr Manley

### **Directors' insurance**

AllianceBernstein L.P. maintains insurance for the Directors in respect of their duties as directors of the company. This was in force in 2013 and up to the date of signing the financial statements

### **Risk management**

#### **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 operates internationally and is therefore exposed to foreign exchange risk arising mainly from recognising assets and liabilities in foreign operations

#### **Credit risk**

Credit risk arises from cash deposits with banks and financial institutions. The cash deposits with banks and high-quality financial institutions are a means of minimising credit risk

### **Independent auditors**

PricewaterhouseCoopers LLP have been appointed as the independent auditors of the company

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

### Statement of directors' responsibilities *(continued)*

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 company and of the profit or loss of the company 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

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

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

On behalf of the board

  
Director  
25/4/2014  
MARK MANLEY

Company registered number 07095725

Registered office  
50 Berkeley Street  
London  
United Kingdom  
W1J 8HA

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

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

#### **Our opinion**

In our opinion the financial statements  
give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss  
for the year then ended,  
have been properly prepared in accordance with (United Kingdom Generally Accepted Accounting Practice)  
as adopted by the European Union, and  
have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say below

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

The financial statements for the year ended 31 December 2013 which are prepared by AllianceBernstein Services  
the Profit and Loss Account,  
the Balance Sheet, and  
the related notes

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)  
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

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (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 Company's circumstances and have been consistently applied and adequately disclosed,  
the reasonableness of significant accounting estimates made by the directors and  
the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the 'Strategic Report and Directors' 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

### **Opinion on 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

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

### **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 or returns adequate for our audit have not been  
received from branches not visited by us, or  
the 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 if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility

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

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

As explained more fully in the Directors' Responsibilities Statement 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 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



Alex Bertolotti (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 April 2014



## Profit and loss account

For the year ended 31 December 2013

	Note	2013 \$	2012 \$
<b>Turnover</b>		-	-
Administrative expenses		(24,383)	(24,166)
Other operating income and charges	2	11,415	27,115
<b>Operating (loss)/profit</b>		(12,968)	2,949
Interest receivable and similar income	3	409	442
Dividends received	4	13,938,436	-
Dividends paid	5	(13,938,436)	-
<b>(Loss)/profit on ordinary activities before taxation</b>	6	(12,559)	3,391
Tax on (loss)/profit on ordinary activities	8	2,789	9,147
<b>(Loss)/profit for the financial year</b>		(9,770)	12,538
Retained profit brought forward		695,668	683,130
<b>Retained profit carried forward</b>		685,898	695,668

There is no difference between the profit for the financial years and total recognised gains and losses

There is no material difference between the results as described in the profit and loss account and the profit on an unmodified historical cost basis. Accordingly, a note of the historical cost profits and losses for the years is not given.

All the amounts above are in respect of continuing operations.

The notes on pages 9 to 14 form part of these financial statements.

## Balance sheet

For the year ended 31 December 2013

	Note	2013	2012
		\$	\$
<b>Fixed assets</b>			
Investments	9	19,512,877	19 512 877
<b>Current assets</b>			
Cash at bank	10	97,961	95 807
Investments	11	101,805	101 720
Debtors	12	563,447	564 976
		<u>763,213</u>	<u>762 503</u>
<b>Creditors amounts falling due within one year</b>	13	<u>(77,314)</u>	<u>(66 834)</u>
<b>Net current assets</b>		<u>685,899</u>	<u>695 669</u>
<b>Total assets less current liabilities</b>		<u>20,198,776</u>	<u>20 208,546</u>
<b>Net assets</b>		<u>20,198,776</u>	<u>20 208 546</u>
<b>Capital and reserves</b>			
Called up share capital	14	19,512,878	19,512 878
Profit and loss account		<u>685,898</u>	<u>695 668</u>
<b>Total shareholders' funds</b>	15	<u>20,198,776</u>	<u>20,208,546</u>

The notes on pages 9 to 14 form an integral part of these financial statements

These financial statements were approved by the board of directors on 10/4/2014 and were signed on its behalf by

  
Director  
25/4/2014 MARK MANLEY

AllianceBernstein Preferred Limited  
Co Registered number 07095725

## Notes to the financial statements for the year ending 31 December 2013

### 1 Accounting policies

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

#### *Basis of preparation*

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year are set out below.

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

The company is exempt from preparing a cash flow statement under Financial Reporting Standard 1 (revised 1996) as it is a wholly owned subsidiary of an entity which prepares consolidated financial statements which are publicly available. The consolidated financial statements of AllianceBernstein L.P., within which the company is included, can be obtained from the address given in Note 18.

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

#### *Consolidation Exemption*

The financial statements contain information about AllianceBernstein Preferred Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, AllianceBernstein L.P.

#### *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.

#### *Taxation*

The charge for taxation is based on the results for the year ended 31 December 2013 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 in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

## Notes to the financial statements for the year ending 31 December 2013

(continued)

### 1 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The functional currency of the company is United States Dollars (USD) and this is in line with the functional currency of its parent company AllianceBernstein Holdings (Cayman) Limited.

#### Current asset investments

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

#### Financial assets

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

#### Impairment of financial assets

Indicators of impairment are reviewed for all financial assets at each reporting date. Such indicators include significant financial difficulties or losses in subsidiary undertakings, or significant decline in net assets of subsidiary undertakings. An impairment loss is recognised in the profit and loss account when there is objective evidence that an asset is impaired.

#### Financial liabilities

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

2 Other operating income and charges	2013	2012
	\$	\$
Net exchange gain	<u>11,415</u>	<u>27,115</u>

3 Interest receivable and similar income	2013	2012
Bank interest receivable	<u>409</u>	<u>442</u>

## Notes to the financial statements for the year ending 31 December 2013

(continued)

4	Dividends received	2013	2012
		\$	\$
	Dividend received from AllianceBernstein Luxembourg S a r l	<u>13,938,436</u>	<u>-</u>

5	Dividends paid	2013	2012
		\$	\$
	Interim dividend 13 May 2013 (\$1.118 per ordinary share)	<u>13,938,436</u>	<u>-</u>

6	Profit on ordinary activities before taxation	2013	2012
		\$	\$
	This is stated after charging		
	Auditors' remuneration	<u>24,383</u>	<u>24,166</u>

### 7 Remuneration of directors

The directors did not receive any emoluments in respect of their services to the company during the financial year (2012: \$nil). There were also no employees during the year (2012: nil).

### 8 Tax on profit on ordinary activities

The taxation (credit)/charge for the year is set out below

	2013	2012
<b>Current Tax</b>	\$	\$
Current year	(2,919)	831
Adjustment in respect of prior years	130	(9,978)
UK corporation tax on profits for the year	<u>(2,789)</u>	<u>(9,147)</u>

	2013	2012
(Loss)/profit on ordinary activities before taxation	<u>(12,559)</u>	<u>3,391</u>
UK corporation tax (credit)/charge on profits for the year at 23.25% (2012: 24.50%)	(2,919)	831
Adjustments in respect of prior years	130	(9,978)
<b>Total current tax</b>	<u>(2,789)</u>	<u>(9,147)</u>

## Notes to the financial statements for the year ending 31 December 2013

(continued)

### 8 Tax on profit on ordinary activities (continued)

The standard rate of corporation tax changed from 24% to 23% with effect from 1 April 2013. Accordingly the company's profits are taxed at an effective rate of 23.25% (2012: 24.50%). No deferred tax charge was recognised during the year.

In addition a number of further changes to the UK corporation tax system were announced in the March 2013 UK Budget Statement. A resolution passed by Parliament reduced the main rate of corporation tax to 23% from 1 April 2013. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and 20% from 1 April 2015 was included in the Finance Act 2013.

### 9 Fixed asset investments

	2013 \$	2012 \$
<b>Shares in subsidiary undertakings</b>		
AllianceBernstein Limited - preference shares	15,031,543	15,031,543
AllianceBernstein (Luxembourg) S a r l - preference shares	4,481,334	4,481,334
	<u>19,512,877</u>	<u>19,512,877</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

AllianceBernstein Limited preference shares confer the right to the company of a fixed cumulative preferential dividend out of the distributable profits at the annual rate equal to seventy three and a half pence per preference share.

AllianceBernstein (Luxembourg) S a r l preference shares confer the right to the company of a fixed cumulative preferential dividend out of the distributable profits at the annual rate equal to two hundred and eighty nine euros and twenty cents per preference share.

Name of subsidiary undertaking	% ownership of issued shares	Country of incorporation	Principal activity
AllianceBernstein Limited	50.05	United Kingdom	Investment management services
AllianceBernstein (Luxembourg) S a r l	20.25	Luxembourg	Administration and management of collective investments

10 Cash at bank	2013 \$	2012 \$
Cash at bank	<u>97,961</u>	<u>95,807</u>

## Notes to the financial statements for the year ending 31 December 2013

(continued)

11	Current asset investments	2013	2012
		\$	\$
	Government Short Term Investment Fund	<u>101,805</u>	<u>101,720</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets

During the year the company retained an investment in a government short term investment fund which as described below is categorised as a level 1 investment

Fair values are measured using the following fair value hierarchy

Level 1 reflects financial instruments quoted in the market

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

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

12	Debtors	2013	2012
		\$	\$
	Amounts falling due within one year		
	Amounts owed by group undertakings	563,447	525,767
	Deferred tax asset	-	39,209
		<u>563,447</u>	<u>564,976</u>

13	Creditors	2013	2012
	Amounts falling due within one year		
	Amounts owed to group undertakings	44,097	42,427
	Accruals and deferred income	33,217	24,407
		<u>77,314</u>	<u>66,834</u>

14	Called up share capital	2013	2012
	Allotted and fully paid		
	12,466,895 ordinary shares of £1 each	<u>19,512,878</u>	<u>19,512,878</u>

15	Reconciliation of movement in shareholder's funds	2013	2012
	At beginning of the year	20,208,546	20,196,008
	(Loss)/profit for the financial year	(9,770)	12,538
	At end of the year	<u>20,198,776</u>	<u>20,208,546</u>

## Notes to the financial statements for the year ending 31 December 2013

(continued)

### 16 Profit and Loss Account

	2013	2012
	\$	\$
At beginning of year	695,668	683,130
(Loss)/profit for the financial year	(9,770)	12,538
At end of year	<u>685,898</u>	<u>695,668</u>

### 17 Financial risks

#### Credit risk

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".

#### Interest rate risk

The only impact on income from interest rate fluctuations is on interest earned on cash balances.

#### 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. The company is not subject to any base capital resources requirement.

### 18 Immediate and ultimate parent company

The company's immediate holding company is AllianceBernstein Holdings (Cayman) Limited, a company established in Cayman Islands. AllianceBernstein L.P. (established in the State of Delaware, USA) is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2013. The consolidated financial statements can be obtained from AllianceBernstein L.P., 1345 Avenue of the Americas, New York, NY, USA.

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

### 19 Post Balance Sheet Event

On January 20, 2014, AllianceBernstein L.P. signed a share purchase agreement for it or its associates with Formuepleje A/S, Fondsmæglerselskab and certain individual shareholders to acquire CPH Capital Fondsmæglerselskab A/S, a Danish asset management firm that currently manages approximately \$3 billion in global core equity assets for institutional investors. This acquisition requires approval from the Danish Financial Services Authority, which approval is expected in April 2014. It is intended that the company will acquire CPH Capital using intragroup debt to fund the acquisition.