

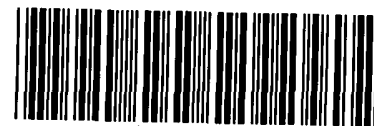
AllianceBernstein Preferred Limited

Annual Report

For the year ended 31 December 2016

Registered number: 07095725

FRIDAY



A6G0G2TL

A32

29/09/2017

#178

COMPANIES HOUSE

Contents

Page

| | |
|--|---|
| Directors and advisers | 1 |
| Strategic report | 2 |
| Directors' report | 3 |
| Independent auditors' report to the members of AllianceBernstein Preferred Limited | 5 |
| Statement of income and retained earnings | 7 |
| Statement of financial position | 8 |
| Notes to the financial statements | 9 |

Directors and advisers

| | |
|-----------------------------|--|
| Directors | J Green L Mangan M Manley |
| Company secretary | M Manley |
| Registered office | 50 Berkeley Street London United Kingdom W1J 8HA |
| Bankers | HSBC Bank Plc 79 Piccadilly London W1V 0EU |
| Independent auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT |

Strategic report

For the year ended 31 December 2016

The directors present their strategic report and the audited financial statements for the year ended 31 December 2016.

Principal activities

AllianceBernstein Preferred Limited (the "company") was incorporated in England and Wales, on 4 December 2009, under the Companies Act 2006, as a private company limited by shares. The company's functional currency is United States Dollars and its principal activity is to act as an intermediary holding company.

Business Review

During the year the company purchased an additional 5.03% ownership interest in CPH Capital Fondsmæglerselskab A/S ("CPH"), a Danish asset management firm, taking its total ownership interest to 90.4%. This purchase formed part of the acquisition agreement the company entered into during 2014. During the year the company also instructed a third party, Duff and Phelps, to perform an impairment review of CPH, this resulted in an write-down of \$43,000,000 being made to the balance.

Key Performance Indicators (KPIs)

As the company's principal activity is to act as an intermediate holding company, the carrying value of the company's investments is the most relevant indicator of performance. There was a loss in the current year due to the impairment of the investment in CPH. Investments have decreased to \$56.0m (2015: \$109.5m) as a result of the impairment.

On behalf of the board



J Green
Director

27 - 9 - 2017
Company registered number: 07095725

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

Directors' report

For the year ended 31 December 2016

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The company's loss for the financial year was \$25,335,474 due to the impairment charge recognised (2015 profit: \$30,551,839).

No dividend was recommended during the year (2015: nil).

Directors

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

I Dawkins (resigned 9 February 2017)
J Green (appointed 23 February 2017)
L Mangan
M Manley

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 2016 and up to the date of signing the financial statements.

Financial risk management

There are a number of financial and market risks and uncertainties which could impact the company, and to mitigate these risks the company operates under strict risk management controls. In light of the company's operating history, liquidity, risk management systems, and internal controls, the risk of an unanticipated insolvency and wind-up process is minimal. A more detailed assessment of individual risks is disclosed in the notes to the financial statements.

Future developments

The company will continue its normal activities for the foreseeable future including effective use of its capital position. The company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Independent auditors

PricewaterhouseCoopers LLP continue to be the appointed 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 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).

Directors' report *(continued)*

For the year ended 31 December 2016

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.

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

Registered office:
50 Berkeley Street
London
United Kingdom

Independent auditors' report to the members of AllianceBernstein Preferred Limited

Report on the financial statements

Our Opinion

In our opinion, AllianceBernstein Preferred Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Income and Retained Earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

Directors' remuneration

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves


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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Peter O'Brien (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28/9/2017

Statement of Income and Retained Earnings
For the year ended 31 December 2016

| | Note | 2016 \$ | 2015 \$ |
|---|------|---------------------|-------------------|
| Dividends received | 2 | 20,129,854 | 33,317,428 |
| Administrative expenses | | (33,207) | (60,747) |
| Amounts written off - investments | 9 | (43,000,000) | - |
| Other operating income/(charges) | 3 | 8,605 | (41,338) |
| Operating (loss)/profit | | (22,894,748) | 33,215,343 |
| Finance income | 4 | 202,850 | 82,588 |
| Finance costs | 5 | (3,117,775) | (3,326,402) |
| (Loss)/Profit on ordinary activities before taxation | 6 | (25,809,673) | 29,971,529 |
| Tax on profit on ordinary activities | 8 | 474,199 | 580,310 |
| (Loss)/Profit for the financial year | | (25,335,474) | 30,551,839 |
| Retained profit brought forward | | 65,476,015 | 34,924,176 |
| Retained profit carried forward | | 40,140,541 | 65,476,015 |

All the amounts above are in respect of continuing operations.

Further comments on the statement of income and retained earnings line items are presented in the notes to the financial statements on pages 9 to 17.

Statement of Financial Position
As at 31 December 2016

| | Note | 2016 | 2015 |
|--|------|--------------------------|--------------------------|
| | | \$ | \$ |
| Fixed assets | | | |
| Investments | 9 | 55,624,635 | 109,529,825 |
| Current assets | | | |
| Trade receivables | 10 | 60,884,647 | 30,492,344 |
| Cash | 11 | 272,463 | 371,391 |
| Investments | 12 | 14,965,015 | 31,412,716 |
| | | <u>76,122,125</u> | <u>62,276,451</u> |
| Creditors: amounts falling due within one year | 13 | <u>(4,991,865)</u> | <u>(6,823,574)</u> |
| Net current assets | | <u>71,130,260</u> | <u>55,452,877</u> |
| Total assets less current liabilities | | <u>126,754,895</u> | <u>164,982,702</u> |
| Creditors: amounts falling due after more than one year | 14 | <u>(67,101,476)</u> | <u>(79,993,809)</u> |
| Net assets | | <u><u>59,653,419</u></u> | <u><u>84,988,893</u></u> |
| Equity | | | |
| Called up share capital | 15 | 19,512,878 | 19,512,878 |
| Profit and loss account | 16 | 40,140,541 | 65,476,015 |
| | | <u><u>59,653,419</u></u> | <u><u>84,988,893</u></u> |

Further comments on the consolidated balance sheet line items are presented in the notes to the financial statements on pages 9 to 17.

These financial statements on pages 7 to 17 were approved by the board of directors on 27 September 2017 and were signed on its behalf by:

Green

J Green
Director
27 September 2017

AllianceBernstein Preferred Limited
Co. Registered number: 07095725

Notes to the financial statements for the year ending 31 December 2016

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, 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.

Cash flow statement and related party disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholder. The company has taken advantage of the following exemptions:

The company is exempt from preparing a cash flow statement under FRS 102, paragraph 1.12, as it is a wholly owned subsidiary of a company which prepares consolidated financial statements which are publicly available. The consolidated financial statements of AllianceBernstein L.P., within which this company is included, can be obtained from the address given in Note 22.

With the exception of its investment in CPH, the company is also exempt under FRS 102, paragraph 33, from the requirements concerning wholly owned group related party transaction disclosures. Further details on the investment in CPH are contained in Note 9.

The company is exempt under FRS 102, paragraph 11.41(b) - 11.48(c), as applicable, from the requirements concerning disclosure of financial instruments.

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 section 401 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.

Functional Currency

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. 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.

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.

Notes to the financial statements for the year ending 31 December 2016

(continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the results for the year ended 31 December 2016 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. As the company is a member of a group for corporation tax purposes, deferred tax assets will be recognised where losses will be passed between members of the group.

Dividends

The company recognises dividends received on an accruals basis from the time a dividend is declared by one of its subsidiaries.

Financial assets

Financial assets held for trading 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 rewards of ownership. Financial assets classified as loans and receivables are held at amortised cost using the effective interest method.

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 a significant decline in the 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. These are held at amortised cost using the effective interest method.

Critical accounting judgements and estimation uncertainty

Critical estimates and judgements include the impairment assessment of the company's investment in CPH and related contingent liabilities that formed part of the purchase price. These estimates are based on the underlying performance of CPH. Management engaged an independent third party to perform an impairment review of the company's investment in CPH. The value of the investment and associated contingent liabilities was adjusted accordingly.

Notes to the financial statements for the year ending 31 December 2016

(continued)

| | | | |
|----------|---|-------------------|-------------------|
| 2 | Dividends received | 2016 | 2015 |
| | | \$ | \$ |
| | Dividend received from AllianceBernstein Limited | 9,433,307 | 22,477,354 |
| | Dividend received from AllianceBernstein Luxembourg S.a.r.l. | 10,696,547 | 10,840,074 |
| | Total dividends received | 20,129,854 | 33,317,428 |
| 3 | Other operating income and charges | 2016 | 2015 |
| | | \$ | \$ |
| | Net exchange loss on investments | (142,950) | (41,828) |
| | Net exchange loss on other operations | (86,568) | (19,494) |
| | Interest receivable on investments | 42,873 | - |
| | Net gain on investments | 195,250 | 19,984 |
| | | 8,605 | (41,338) |
| 4 | Finance income | 2016 | 2015 |
| | | \$ | \$ |
| | Interest receivable from group undertakings (note 12) | 202,132 | 82,299 |
| | Bank interest receivable | 718 | 289 |
| | | 202,850 | 82,588 |
| 5 | Finance costs | 2016 | 2015 |
| | | \$ | \$ |
| | Interest payable to group undertakings (note 14) | 2,587,000 | 2,705,402 |
| | Amortisation of earn out payments (note 14) | 530,775 | 621,000 |
| | | 3,117,775 | 3,326,402 |
| 6 | Profit on ordinary activities before taxation | 2016 | 2015 |
| | | \$ | \$ |
| | In addition to other operating income and charges as stated in note 3, this is stated after charging: | | |
| | Auditors' remuneration - audit fees | 31,786 | 36,111 |
| 7 | Remuneration of directors | | |

The directors did not receive any emoluments in respect of their services to the company during the financial year (2015: \$nil). There were also no employees during the year (2015: nil).

The remuneration of the directors is paid by other group companies, AllianceBernstein Ltd and AllianceBernstein L.P., which make no recharge to the company. The directors are directors of other group companies, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the group companies.

Notes to the financial statements for the year ending 31 December 2016

(continued)

8 Tax on profit on ordinary activities

The taxation credit for the year is set out below.

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Current Tax: | | |
| UK corporation tax | (481,750) | (551,699) |
| Adjustments in respect of prior years | 7,551 | (28,611) |
| UK corporation tax on profits for the year | <u>(474,199)</u> | <u>(580,310)</u> |

The current tax credit for the year is lower (2015: lower) than the standard effective rate of corporation tax in the UK 20% (2015: 20.25%). The differences are explained below.

| | 2016 | 2015 |
|--|---------------------|-------------------|
| | \$ | \$ |
| (Loss)/Profit on ordinary activities before taxation | <u>(25,809,673)</u> | <u>29,971,529</u> |
| UK corporation tax charge on (loss)/profits for the year at 20% (2015: 20.25%) | (5,161,935) | 6,068,208 |
| Effects of disallowable expenditure | 8,706,156 | 125,731 |
| Effects of disallowable income | (4,025,971) | (6,745,638) |
| Adjustments in respect of prior years | 7,551 | (28,611) |
| Total tax | <u>(474,199)</u> | <u>(580,310)</u> |

The company's profits are taxed at the standard rate of corporation tax of 20% (2015: 20.25%). No deferred tax charge was recognised during the year. No deferred tax asset has been recognised related to the capital loss of \$43,000,000 for the impairment of the company's investment in CPH. This is due to the fact that there are no capital gains to offset.

9 Investments

| | 2016 | 2015 |
|--|-------------------|--------------------|
| | \$ | \$ |
| Shares in subsidiaries and associates | | |
| CPH Capital Fondsmæglerselskab A/S - ordinary shares | 36,000,000 | 89,905,190 |
| AllianceBernstein Limited - preference shares | 15,031,543 | 15,031,543 |
| AllianceBernstein (Luxembourg) S.a.r.l - preference shares | 4,481,334 | 4,481,334 |
| AllianceBernstein Schweiz AG - ordinary shares | 109,188 | 109,188 |
| AB Bernstein Israel Ltd - ordinary shares | 2,570 | 2,570 |
| | <u>55,624,635</u> | <u>109,529,825</u> |

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

On 20 June 2014 the company entered into a purchase agreement with CPH, whereby the company purchased 81.71% of the issued share capital for an initial price of \$64,370,796. The agreement also included contingent consideration for the remaining share capital payable over a number of years (see notes 13, 14 and 18).

On 27 August 2015 in accordance with this agreement the company purchased an additional 3.66% of the issued share capital for a price of \$1,200,842. On 26 August 2016 the company again purchased an additional 3.66% of the issued share capital for a price of \$1,200,842. Then on 13 December 2016 the company purchased a further 1.37% of the issued share capital for a price of \$123,750. Since there is no future liability for these additional interests in CPH, the total discount paid for these shares of \$5,314,000 has been deducted from the initial value of the company's investment in CPH. In addition the discount has also been applied to the outstanding redeemable non-controlling interest, and a further \$5,512,414 has been deducted from the company's investment in CPH.

Notes to the financial statements for the year ending 31 December 2016

(continued)

9 Investments (continued)

The original value of the company's investment in CPH was also conditional on certain levels of assets under management being maintained under the management of CPH. Some of these conditions have since been deemed unlikely to be met and the value of the company's investment has been written down as a result by \$43,000,000. In determining the amount to be written down, management engaged a external valuation firm Duff&Phelps to assist in fair valuing CPH. The valuation was based on a discounted cash flow model, in which the key assumptions included the forecasted free cash flows and discount rate. A 2.5% variance in the forecasted free cash flows would have an approximate \$900,000 impact on the valuation. A 1% difference in the discount rate applied would have an approximate \$1,300,000 impact on the valuation. Management has reviewed the work performed by Duff&Phelps and consider the final valuation of CPH to be reasonable.

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.

Summary of fixed asset investments

| Name of undertaking | % ownership | Country of incorporation | Principal activity |
|---|-------------|--------------------------|--|
| CPH Capital Fondsmæglerelskab A/S | 90.40 | Denmark | Investment management services |
| AllianceBernstein Limited | 50.05 | United Kingdom | Investment management services |
| AllianceBernstein (Luxembourg) S.a.r.l | 20.25 | Luxembourg | Administration and management of collective investments |
| AllianceBernstein Schweiz AG | 100.00 | Switzerland | Investment distribution services |
| AB Bernstein Israel Ltd | 100.00 | Israel | Investment distribution services |

10 Trade receivables

| | 2016 \$ | 2015 \$ |
|-------------------------------------|-------------------|-------------------|
| Amounts falling due within one year | | |
| Amounts owed by group undertakings | 60,599,717 | 30,197,925 |
| Prepayments and accrued income | 284,930 | 294,419 |
| | <u>60,884,647</u> | <u>30,492,344</u> |

During the year the company entered into two short term loan agreements with Sanford C. Bernstein Limited an intragroup company. The first has a principal loan amount of \$40m, carries an interest rate of 1.20%, and a maturity date of 20 September 2017. The second has a principal loan amount of \$10m, carries an interest rate of 1.2% and a maturity date of 20 September 2017.

The company also entered into a short term loan agreement with AllianceBernstein L.P. another intragroup company. The principal loan amount of \$30m carried an interest rate of 0.90%, and had a maturity date of 9 January 2017. This was repaid on the 9th January 2017.

The short term loans for Sanford C. Bernstein Limited have been rolled-over and extended through to December 2017 subsequent to the balance sheet date.

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

Notes to the financial statements for the year ending 31 December 2016
(continued)

| | | | |
|--------------|----------------|----------------|-------------|
| 11 | Cash | 2016 | 2015 |
| | | \$ | \$ |
| Cash at bank | <u>272,463</u> | <u>371,391</u> | |

| | | | |
|--|----------------------------------|-------------------|-------------|
| 12 | Current asset investments | 2016 | 2015 |
| | | \$ | \$ |
| Investments brought forward | 31,412,716 | 9,101,893 | |
| Foreign exchange loss recognised during the year | (142,951) | (41,828) | |
| (Redemptions) / additions | (16,500,000) | 22,332,667 | |
| Fair value gain recognised during the year | <u>195,250</u> | <u>19,984</u> | |
| | <u>14,965,015</u> | <u>31,412,716</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 and also a multi-asset seed investment. Both of these investments are categorised as a level 1 investment as described below.

| | Level 1 | Level 2 | Level 3 | Total fair value |
|--|------------|---------|---------|------------------|
| | \$ | \$ | \$ | \$ |
| Available for sale investments 31 Dec 2015 | 31,412,716 | - | - | 31,412,716 |
| Available for sale investments 31 Dec 2016 | 14,965,015 | - | - | 14,965,015 |

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.

| | | |
|-------------------------------------|------------------|------------------|
| Redeemable non-controlling interest | 1,050,738 | 3,825,805 |
| Amounts owed to group undertakings | 134,692 | 157,305 |
| Accruals and deferred income | 32,435 | 34,859 |
| Other creditors | <u>3,774,000</u> | <u>2,805,605</u> |
| | <u>4,991,865</u> | <u>6,823,574</u> |

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

Notes to the financial statements for the year ending 31 December 2016

(continued)

14 Creditors: amounts falling due after more than one year

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Amounts falling due after more than one year | \$ | \$ |
| 3.98% unsecured loan notes | 65,000,000 | 65,000,000 |
| Redeemable non-controlling interest | 2,101,476 | 11,477,415 |
| Other creditors | - | 3,516,394 |
| | <u>67,101,476</u> | <u>79,993,809</u> |

Unsecured loan notes - On 18 June 2014 the company issued loan notes to its parent company AllianceBernstein Holdings (Cayman) Limited with an aggregate nominal value of \$65m and an interest rate of 3.98%. The loan notes are due in full on their maturity date, 18 June 2024. The loan notes are carried at amortised cost less provision for impairment.

Redeemable non-controlling interest - Under the terms of the CPH share purchase agreement it is probable the company will purchase the remaining share capital over the next three years.

Other creditors - conditional on certain levels of assets under management being maintained under the management of CPH, the company will be liable for an annual earn out payment as part of the original share purchase agreement. These payments are payable at the end of the first three years post acquisition date and have been accrued at a discounted present value.

According to the hierarchy of fair value measurements described in note 12 both the redeemable non-controlling interest and other payables above are considered level three financial instruments, as they derive their value based on the underlying performance of CPH. As such they could be significantly affected by changes in the profitability of CPH as well as changes to underlying discount rate assumptions. However, the management consider this to be remote.

15 Called up share capital

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Issued and fully paid | \$ | \$ |
| 12,466,895 (2015: 12,466,895) ordinary shares of £1 each | <u>19,512,878</u> | <u>19,512,878</u> |

16 Profit and loss account

| | 2016 | 2015 |
|--------------------------------------|---------------------|-------------------|
| | \$ | \$ |
| At beginning of year | 65,476,015 | 34,924,176 |
| (Loss)/Profit for the financial year | <u>(25,335,474)</u> | <u>30,551,839</u> |
| At end of year | <u>40,140,541</u> | <u>65,476,015</u> |

17 Reconciliation of movements in equity

| | 2016 | 2015 |
|--------------------------------------|---------------------|-------------------|
| At beginning of the year | 84,988,893 | 54,437,054 |
| (Loss)/Profit for the financial year | <u>(25,335,474)</u> | <u>30,551,839</u> |
| At end of the year | <u>59,653,419</u> | <u>84,988,893</u> |

Notes to the financial statements for the year ending 31 December 2016
(continued)

18 Commitments & Contingencies

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Maturity of financial liabilities | | |
| Due within one year | 4,824,738 | 6,631,410 |
| 1-2 years | 1,050,738 | 7,342,199 |
| 2-5 years | 1,050,738 | 7,651,610 |
| More than 5 years | 65,000,000 | 65,000,000 |
| | <u>71,926,214</u> | <u>86,625,219</u> |

19 Financial Instruments

The company has the following financial instruments measured at fair value.

| | 2016 | 2015 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Available for sale investments | | |
| Portfolio fund investment | 829,003 | 874,285 |
| Short term investment fund | <u>14,136,012</u> | <u>30,538,431</u> |
| | <u>14,965,015</u> | <u>31,412,716</u> |
| Financial liabilities | | |
| 3.98% unsecured loan notes | <u>65,000,000</u> | <u>65,000,000</u> |

20 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". Any credit risk that exists in the fair value of the company's available for sale investments is not considered to be material.

Interest rate risk: The only impact on income from interest rate fluctuations is on interest earned on cash balances. The loan notes issued by the company to AllianceBernstein Holdings (Cayman) Limited, and the short term loan agreement with Sanford C. Bernstein Limited, are both at fixed rates of interest and not exposed to interest rate fluctuations.

Market risk: The company's portfolio fund investment is spread across a number of different markets and sectors; hence diversification reduces the market risk in the investment portfolio.

Foreign exchange risk: The company operates internationally and is exposed to foreign exchange risk arising primarily with respect to the Sterling and the Euro.

Notes to the financial statements for the year ending 31 December 2016 (continued)

20 Financial risks (continued)

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.

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.

The company's cash balances are held by HSBC which is an independently rated party with an AA rating.

21 Related party transactions

During the year the company purchased an additional 5.03% ownership interest in CPH taking its total ownership interest to 90.4%. Please reference Note 9 for further information.

22 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 2016. The consolidated financial statements 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.