

AllianceBernstein Preferred Limited

Annual Report

For the year ended 31 December 2018

Registered number: 07095725



Contents	Page
Directors, auditors 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	10
Statement of financial position	11
Notes to the financial statements	12

Directors, auditors and advisers

Directors	J Green L Mungan 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 2018

The directors present their strategic report and the audited financial statements for the year ended 31 December 2018.

Principal activities

AllianceBernstein Preferred Limited (the "company") was incorporated in the United Kingdom, 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. The company has debt issued and listed on The International Stock Exchange which is the securities exchange in the Channel Islands. All debt is wholly owned by the company's immediate parent.

Business Review

In 2018 the company purchased an additional 3.20% ownership interest in CPII Capital Fondsmæglerselskab A/S ("CPII"), a Danish asset management firm, taking its total ownership interest to 96.80%. This transaction formed part of the acquisition agreement the company entered into during 2014.

Results and dividends

The company's profit for the financial year was \$19,550,239 (2017 profit: \$18,091,905). No dividend was recommended by the directors or paid during the year (2017: \$35,000,000). No dividends were payable or prepaid as at 31 December 2018.

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. The value of investments as at 31 December 2018 was \$55,624,635 (2017: \$55,624,784). The directors assessed that there was no impairment in 2018.

Risk Management

There are a number of 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.

On behalf of the board



J Green
Director

12 April 2019
Company registered number: 07095725

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

Directors' report

For the year ended 31 December 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The company's profit for the financial year was \$19,550,239 (2017 profit: \$18,091,905).

No dividend was recommended by the directors or paid during the year (2017: \$35,000,000). The company made no political donations during the year (2017: nil). After year end, a dividend of \$3,000,000 was recommended by the directors and paid in April 2019.

Directors

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

J Green
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 2018 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 Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and 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", and applicable law).

Directors' report *(continued)*
For the year ended 31 December 2018

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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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
12 April 2019

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

Independent auditors' report to the members of AllianceBernstein Preferred Limited

Report on the audit of the financial statements

Opinion

In our opinion, AllianceBernstein Preferred Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2018 and the Statement of Income and Retained Earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

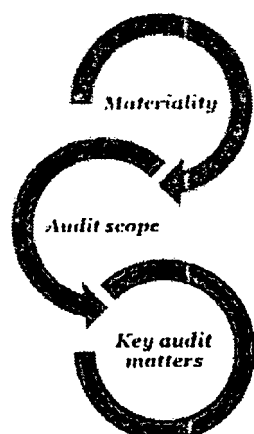
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance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

Our audit approach

Context

AllianceBernstein Preferred Limited ('ABPL') is an intermediate holding company. The principal activities of the business include serving as a financing vehicle through which investments in subsidiaries are made and intercompany loans are provided to related AllianceBernstein group entities. AllianceBernstein Preferred Limited has debt issued and listed on the Channel Islands Securities Exchange Authority Limited.

Overview



- Overall materiality: \$622,956 (2017: \$427,453), based on 1% of net assets.

- As ABPL is an intermediate holding company our audit procedures focused on the impairment evaluation of the investment in Capital Fondsmæglerselskab A/S ("CPH").
- We tailored the scope of our audit taking into account the movements of investments during the year and receipt of dividends and/or financing from the AllianceBernstein group parent.
- Impairment evaluation of the investment in Capital Fondsmæglerselskab A/S ("CPH").

- We focused on the impairment valuation analysis performed over the company's investment in CPH/ Capital Fondsmæglerselskab A/S ("CPH"). The annual analysis for impairment in CPH includes the evaluation of performance to forecasted cash flows and expected business growth, which are based on internal assumptions, which require a level of judgement.

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

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>We focused on the impairment valuation analysis performed over the company's investment in CPH</i> <i>Capital Fondsmæglersekab A/S ("CPH")</i>	We obtained an understanding of management's process for evaluating the investment in CPH for impairment. The carrying value of CPH includes the optionality of the shares which were exercised this year.
<i>The annual analysis for impairment in CPH includes the evaluation of performance to forecasted cash flows and expected business growth which are based on internal assumptions which require a level of judgement</i>	We obtained and reviewed evidence that management have discussed and considered the need for further impairment of their investment CPH. As part of our review, we considered the potential for management bias. We obtained and reviewed the current period performance of CPH for indicators of impairment. We performed lookback testing comparing the forecasted cash flows to actual performance, in order to assess the reliability of management's estimation process. We further evaluated current performance and forecasted performance against market conditions and considered the appropriateness of assumptions and methodology used in the estimate. We also reviewed the minutes of meetings of the board of directors for CPH and ABPL for any indicators of impairment. Lastly, we evaluated the net asset position as at 31 December 2018, to ensure the entity remained solvent. Based on the procedures performed, we found the assumptions and methodology used to be appropriate. No impairments were identified by the Directors in the current period.

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We focused on the impairment valuation analysis performed over the company's investment in CPH/ Capital Fondsmæglerselskab A/S ("CPH"). The annual analysis for impairment in CPH includes the evaluation of performance to forecasted cash flows and expected business growth, which are based on internal assumptions, which require a level of judgement.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall materiality</i>	\$622,956 (2017: \$427,453).
<i>How we determined it</i>	1% of net assets.
<i>Rationale for benchmark applied</i>	ABPL is an intermediate holding company within the wider AllianceBernstein group. Its purpose is to hold and manage investments in other AllianceBernstein subsidiaries. The performance of ABPL is largely determined by growth of the underlying investments in subsidiaries, which is best represented by the net assets of the underlying subsidiary.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$31,148 (2017: \$21,373) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sarah Chandler

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

12 April 2019

Statement of Income and Retained Earnings
For the year ended 31 December 2018

	Note	2018 \$	2017 \$
Income from shares in group undertakings	3	20,744,891	19,724,896
Administrative expenses		(62,411)	(59,193)
Other operating (expenses)/income	4	(79,214)	210,161
Operating profit		20,603,266	19,875,864
Finance income	5	1,315,217	693,702
Finance costs	6	(2,587,000)	(2,813,000)
Profit before taxation	7	19,331,483	17,756,566
Tax on profit	9	218,756	335,339
Profit for the financial year		19,550,239	18,091,905
Retained profit brought forward		23,232,446	40,140,541
Dividend on ordinary shares		-	(35,000,000)
Retained profit carried forward		42,782,685	23,232,446

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 12 to 20.

Statement of Financial Position
As at 31 December 2018

	Note	2018	2017
		\$	\$
Fixed assets			
Investments	10	55,624,635	55,624,784
Current assets			
Trade receivables	11	70,807,612	51,236,272
Cash	12	1,645,759	1,958,430
Investments	13	526,806	1,211,841
		<u>72,980,177</u>	<u>54,406,543</u>
Creditors: amounts falling due within one year	14	<u>(1,309,249)</u>	<u>(1,235,265)</u>
Net current assets		<u>71,670,928</u>	<u>53,171,278</u>
Total assets less current liabilities		<u>127,295,563</u>	<u>108,796,062</u>
Creditors: amounts falling due after more than one year	15	<u>(65,000,000)</u>	<u>(66,050,738)</u>
Net assets		<u><u>62,295,563</u></u>	<u><u>42,745,324</u></u>
Equity			
Called up share capital	16	19,512,878	19,512,878
Profit and loss account	17	42,782,685	23,232,446
Total equity		<u><u>62,295,563</u></u>	<u><u>42,745,324</u></u>

Further comments on the statement of financial position line items are presented in the notes to the financial statements on pages 12 to 20.

These financial statements on pages 10 to 20 were approved by the board of directors on
12 April 2019 and were signed on its behalf by:

Green

J Green
Director

12 April 2019

AllianceBernstein Preferred Limited
Co. Registered number: 07095725

Notes to the financial statements for the year ending 31 December 2018

1 General Information

AllianceBernstein Preferred Limited (the "company") is an intermediary holding company. The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 50 Berkeley St, London.

2 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 basis of historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss (as applicable), in accordance with the Companies Act 2006 and United Kingdom Accounting Standards, including 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 23.

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 10.

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. which are publicly available at <http://www.alliancebernstein.com/corporate/investor-relations/reports.htm>

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.

Dividends

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

Finance Costs

Finance costs are recognised in profit or loss using the effective interest method.

Notes to the financial statements for the year ending 31 December 2018

(continued)

2 Accounting policies (continued)

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.

Taxation

The charge for taxation is based on the results for the year ended 31 December 2018 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.

Financial assets

Financial assets held for trading have been designated at 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. In 2016, an impairment loss of \$43,000,000 was recognised. There was no impairment in 2017 or 2018.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. All estimates and assumptions are best estimates undertaken in accordance with the applicable standard, and the directors are of the view that none have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

Critical estimates and judgements include impairment assessments of the company's investments and related contingent liabilities that form part of the holding value. These estimates are based on the underlying performance. Please refer to the "Impairment of financial assets" policy above for further details.

Notes to the financial statements for the year ending 31 December 2018

(continued)

3	Income from shares in group undertakings	2018	2017
		\$	\$
	Income from shares in group undertakings from AllianceBernstein Limited	9,470,890	9,067,744
	Income from shares in group undertakings from AllianceBernstein Luxembourg S.a.r.l.	11,274,001	10,657,152
	Total income received	20,744,891	19,724,896
4	Other operating (expenses)/income	2018	2017
		\$	\$
	Net exchange (loss)/gain on investments	(20,275)	70,801
	Net exchange loss on other operations	(60,598)	(15,068)
	Interest receivable on investments	1,659	81,313
	Net gain on investments	-	73,115
		(79,214)	210,161
5	Finance income	2018	2017
		\$	\$
	Interest receivable from group undertakings (note 10)	1,275,226	408,196
	Interest receivable from short term investment fund (note 12)	14,963	275,828
	Bank interest receivable	25,028	9,678
		1,315,217	693,702
6	Finance costs	2018	2017
		\$	\$
	Interest payable to group undertakings (note 14)	2,587,000	2,587,000
	Amortisation of earn out payments (note 14)	-	226,000
		2,587,000	2,813,000
7	Profit before taxation	2018	2017
		\$	\$
	In addition to other operating income and expenses as stated in note 3, this is stated after charging:		
	Auditors' remuneration - audit fees	59,599	57,752

8 Remuneration of directors

The directors did not receive any emoluments in respect of their services to the company during the financial year (2017: \$nil). There were also no employees during the year (2017: 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 2018

(continued)

9 Tax on profit

The taxation credit for the year is set out below.

	2018	2017
	\$	\$
Current Tax:		
UK corporation tax	(268,547)	(335,339)
Adjustments in respect of prior years	49,791	-
UK corporation tax on profits for the year	<u>(218,756)</u>	<u>(335,339)</u>

The current tax credit for the year is lower (2017: lower) than the standard effective rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below.

	2018	2017
	\$	\$
Profit/(Loss) before taxation	<u>19,331,483</u>	<u>17,756,566</u>
UK corporation tax charge on profits for the year at 19% (2017: 19.25%)	3,672,982	3,417,531
Effects of disallowable expenditure	-	43,497
Effects of disallowable income	(3,941,529)	(3,796,367)
Adjustments in respect of prior years	49,791	-
Total tax credit	<u>(218,756)</u>	<u>(335,339)</u>

The company's profits are taxed at the standard rate of corporation tax of 19% (2017: 19.25%). No deferred tax charge was recognised during the year (2017: nil).

10 Investments

	2018	2017
	\$	\$
Shares in subsidiaries and associates		
CPH Capital Fondsmæglerselskab A/S - ordinary shares	36,000,000	36,000,000
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
AB Risk Premium - ordinary shares	-	149
	<u>55,624,635</u>	<u>55,624,784</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 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. 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 was deducted from the initial value of the company's investment in CPH. In addition the discount was 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 2018

(continued)

10 Investments (continued)

On 27 August 2017 the company purchased a further 3.20% of issued share capital for a price of \$1,050,738. On 27 August 2018 the company purchased a further 3.20% of issued share capital for a price of \$1,050,738. The carrying value of CPH includes the consideration paid and expected to be paid associated with the contingent and deferred acquisition payments. As result, there is no net change in the carrying value of the CPH investment related to these transactions.

The original value of the company's investment in CPH was conditional on certain levels of assets under management being maintained under the management of CPH. Management engaged an independent third party to perform an impairment review of the company's investment in CPH in 2016 and the value of the company's investment was written down by \$43,000,000. Management reassess the need for impairment each year and concluded that there is no impairment in 2018.

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 point six seven 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	Registered Address		Principal activity
AB Bernstein Israel Ltd	100.00	Rothschild Boulevard 22, Suite 1119, Tel Aviv 6688218, Israel	Israel	Investment distribution services
AB Risk Premia SICAV-RAIF SCA	100.00	2-4 rue Eugène Ruppert, L-2453 Luxembourg	Luxembourg	Administration and management of collective investments
AllianceBernstein (Luxembourg) S.a.r.l	20.25	2-4 rue Eugène Ruppert, L-2453 Luxembourg	Luxembourg	Administration and management of collective investments
AllianceBernstein Limited	50.05	50 Berkeley Street, London, United Kingdom, W1J 8HA	United Kingdom	Investment management services
AllianceBernstein Schweiz AG	100.00	Talstrasse 83, CH-8001 Zurich, Switzerland	Switzerland	Investment distribution services
CPH Capital Fondsmæglerselskab A/S	96.80	Lautrupsgade 7, 6 2100 Copenhagen Ø, Denmark	Denmark	Investment management services

11 Trade receivables

	2018	2017
Amounts falling due within one year	\$	\$
Amounts owed by group undertakings	70,804,898	51,083,439
Prepayments and accrued income	2,714	152,833
	<u>70,807,612</u>	<u>51,236,272</u>

During the year the company had two short term loan agreements with intragroup companies. The first was with AllianceBernstein L.P., an intragroup company. The principal loan amount of \$59m carried an interest rate of 2.75%, and had a maturity date of 7 March 2019. On 19 February 2019, the loan was terminated early and the principal reduced to \$49m with an interest rate of 2.50% and a maturity date of 17 May 2019. The second loan agreement was with Sanford C. Bernstein Limited, an intragroup company. The loan has a principal amount of \$10m, carries an interest rate of 2.75%, and a maturity date of 20 March 2019. Upon maturity this was increased to \$15m at an interest rate of 2.50% and a maturity date of 26 June 2019.

Notes to the financial statements for the year ending 31 December 2018

(continued)

12	Cash	2018	2017
		\$	\$
Cash at bank	<u>1,645,759</u>	<u>1,958,430</u>	

13	Current asset investments	2018	2017
		\$	\$
Investments brought forward	1,211,841	14,965,015	
Foreign exchange gain/(loss) recognised during the year	20,275	(70,800)	
Redemptions	(705,310)	(13,609,259)	
Fair value loss recognised during the year	-	(73,115)	
	<u>526,806</u>	<u>1,211,841</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 redeemed an investment in 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 2017	1,211,841	-	-	1,211,841
Available for sale investments 31 Dec 2018	526,806	-	-	526,806

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.

14	Creditors: amounts falling due within one year	2018	2017
		\$	\$
Redeemable non-controlling interest	1,050,738	1,050,738	
Amounts owed to group undertakings	168,055	146,351	
Accruals and deferred income	90,456	38,176	
	<u>1,309,249</u>	<u>1,235,265</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 2018

(continued)

15 Creditors: amounts falling due after more than one year

	2018	2017
	\$	\$
Amounts falling due after more than one year		
3.98% unsecured loan notes	65,000,000	65,000,000
Redeemable non-controlling interest	-	1,050,738
	<u>65,000,000</u>	<u>66,050,738</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, which management believes approximates fair value.

Redeemable non-controlling interest - Under the terms of the CPII share purchase agreement it is probable the company will purchase the remaining share capital over the next 12 months.

According to the hierarchy of fair value measurements described in note 13 the redeemable non-controlling interest is considered level three financial instruments, as it derives its value based on the underlying performance of CPII. As such it could be significantly affected by changes in the profitability of CPII as well as changes to underlying discount rate assumptions. However, the management consider this to be remote.

16 Called up share capital

	2018	2017
	\$	\$
Issued and fully paid		
12,466,895 (2017: 12,466,895) ordinary shares of £1 each	<u>19,512,878</u>	<u>19,512,878</u>

17 Profit and loss account

	2018	2017
	\$	\$
At beginning of year	23,232,446	40,140,541
Profit for the financial year	19,550,239	18,091,905
Dividend	-	(35,000,000)
At end of year	<u>42,782,685</u>	<u>23,232,446</u>

18 Reconciliation of movements in equity

	2018	2017
	\$	\$
At beginning of the year	42,745,324	59,653,419
Profit for the financial year	19,550,239	18,091,905
Dividend	-	(35,000,000)
At end of the year	<u>62,295,563</u>	<u>42,745,324</u>

Notes to the financial statements for the year ending 31 December 2018

(continued)

19 Commitments & Contingencies

	2018	2017
	\$	\$
Maturity of financial liabilities		
Due within one year	1,050,738	1,050,738
1-2 years	-	1,050,738
2-5 years	-	-
More than 5 years	65,000,000	65,000,000
	<u>66,050,738</u>	<u>67,101,476</u>

20 Financial Instruments

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

	2018	2017
	\$	\$
Financial assets measured at fair value through profit or loss		
Available for sale investments		
Short term investment fund	526,806	1,211,841
	<u>526,806</u>	<u>1,211,841</u>
Financial liabilities measured at fair value through profit or loss		
3.98% unsecured loan notes	65,000,000	65,000,000

21 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. Any credit risk that exists in the recoverability of the short term intercompany loans with Sanford C. Bernstein Limited and AllianceBernstein L.P. is not considered to be material. The parent company AllianceBernstein L.P. has a Moody's credit rating of A2 and the parent company would ultimately ensure that subsidiary Sanford C. Bernstein Limited is always able to repay the loan.

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 agreements with Sanford C. Bernstein Limited and AllianceBernstein L.P., are all at fixed rates of interest and not exposed to interest rate fluctuations.

Market risk: The company holds an investment in a government short term investment fund (STIF) as at 31 December 2018. The STIF is highly liquid and not considered to be a material risk.

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

Notes to the financial statements for the year ending 31 December 2018

(continued)

21 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.

22 Related party transactions

During the year the company purchased an additional 3.20% ownership interest in CPH taking its total ownership interest to 96.80%. Please reference Note 9 for further information.

23 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 2018. 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.

24 Subsequent events

On 25 March 2019, AXA, SA, reduced its stake to a minority position in AXA Equitable Holdings, Inc. through an offering of shares. At signing date, the ultimate holding company and controlling party of AllianceBernstein L.P. is AXA Equitable Holdings, Inc., a financial services company based in New York, N.Y., USA.

On 2 April 2019, AllianceBernstein Preferred Limited made a £2m seed investment in ES AllianceBernstein Europe (ex UK) Equity Portfolio.