

**HGI GROUP LIMITED  
ANNUAL REPORT AND ACCOUNTS  
31 DECEMBER 2009**

<b>FINANCIAL STATEMENTS TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>DIRECTORS' REPORT</b>	1
<b>STATEMENT OF DIRECTORS' RESPONSIBILITIES</b>	8
<b>INDEPENDENT AUDITORS' REPORT</b>	9
<b>CONSOLIDATED INCOME STATEMENT</b>	10
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	11
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	12
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	13
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	14
<b>COMPANY STATEMENT OF COMPREHENSIVE INCOME</b>	15
<b>COMPANY STATEMENT OF FINANCIAL POSITION</b>	16
<b>COMPANY STATEMENT OF CHANGES IN EQUITY</b>	17
<b>COMPANY STATEMENT OF CASH FLOWS</b>	18
<b>NOTES TO THE FINANCIAL STATEMENTS – GROUP AND COMPANY</b>	
1. Authorisation of financial statements and statement of compliance with IFRS	19
2. Accounting policies	19
3. Income	26
4. Expenses	26
5. Employee benefits	27
6. Finance costs	27
7. Non-recurring items before tax	28
8. Taxation	29
9. Share-based payments	31
10. Dividends paid and proposed	34
11. Segmental information	35
12. Intangible assets	36
13. Investments in subsidiaries, associates and joint ventures	37
14. Plant and equipment	39
15. Fair value of financial instruments	39
16. Deferred acquisition and commission costs	41
17. Trade and other receivables	42
18. Cash and cash equivalents	42
19. Debt instrument in issue	43
20. Retirement benefits	43
21. Provisions	49
22. Deferred taxation	50
23. Borrowings	51
24. Trade and other payables	51
25. Share capital	52
26. Reserves	53
27. Minority interest	53
28. Financial risk management	54
29. Leases	59
30. Capital commitments	59
31. Related party transactions	59
32. Ultimate parent undertaking and controlling party	60
33. Contingent liabilities	60
34. Acquisitions and disposals of subsidiaries	60
35. Events after the balance sheet date	61
36. Restatement	61

## DIRECTORS' REPORT

The Directors present their report and the financial statements of HGI Group Limited (the Company) for the year ended 31 December 2009 and the consolidated accounts for the Company and its controlled entities (the Group) which form a sub-group of Henderson Group plc and its controlled entities (Henderson Group).

### Scheme of arrangement and Group restructure

As announced on 31 October 2008, a scheme of arrangement (Scheme) under sections 895 to 899 of the UK Companies Act became effective on 31 October 2008 following shareholder and UK Court approval. The Scheme and associated corporate restructure (Restructure) is designed to help achieve a more efficient taxation structure for Henderson Group. The Restructure, undertaken in November 2008, resulted in the transfer of certain group companies to Henderson Holdings Group BV, a fellow subsidiary of HGI Group Ltd. These entities are listed in note 34.2 of the financial statements.

### The Group result

The Group's profit before non-recurring items and tax for FY09 was £5.0m, a decrease of £75.3m (94%) on FY08 (£80.3m).

### Business review - Group

	2009	2008
	£m	£m
Management fees (net of commissions)	148.5	224.4
Transaction fees	17.1	16.5
Performance fees	30.6	32.0
<b>Total fee income</b>	<b>196.2</b>	<b>272.9</b>
Finance income	4.0	13.6
<b>Total income</b>	<b>200.2</b>	<b>286.5</b>
Operating costs	(186.0)	(192.4)
Finance costs	(8.9)	(13.7)
<b>Total expenses</b>	<b>(194.9)</b>	<b>(206.1)</b>
<b>Recurring profit before intangible amortisation and tax</b>	<b>5.3</b>	<b>80.4</b>
Intangible amortisation	(0.3)	(0.1)
<b>Recurring profit before tax</b>	<b>5.0</b>	<b>80.3</b>
Non-recurring items	(36.2)	(15.2)
<b>(Loss)/profit before tax</b>	<b>(31.2)</b>	<b>65.1</b>
Taxation on recurring operations	(2.7)	(8.6)
Taxation on non-recurring items	8.6	4.8
<b>Total taxation</b>	<b>5.9</b>	<b>(3.8)</b>
<b>(Loss)/profit after tax</b>	<b>(25.3)</b>	<b>61.3</b>
Attributable to:		
Equity holders of the parent	(25.4)	61.2
Minority interests	0.1	0.1
	<b>(25.3)</b>	<b>61.3</b>

## DIRECTORS' REPORT (continued)

### Revenues and fee margins

The decrease in fee income by £76.7m (26.8%) to £196.2m in FY09 (FY08: £272.9m) reflects lower average market levels which impacted management fees during the year, with the FTSE 100 Index averaging 15% lower in FY09 than FY08. In addition the Restructure resulted in a decrease in fee income for the Group. Transaction fees increased marginally in FY09 to £17.1m (FY08: £16.5m), primarily due to advisory fees earned by our Structured Products business. Performance fees decreased marginally in FY09 to £30.6m (FY08: £32.0m), with institutional and hedge funds being the main contributors in FY09.

Average management fee margins were 36.7bps (FY08: 44.4bps) with the decrease primarily due to companies with higher management fee margins being transferred out of the Group as a result of the Restructure. Net margins in FY09 were 1.3bps (FY08: 15.9bps) respectively, with the decreases due primarily to increased staff costs and lower fee income.

Total fee margin decreased from 53.9bps in FY08 to 48.5bps in FY09, largely due to lower net management fees as a result of the matters set out above.

### Finance income

Finance income in FY09 decreased by £9.6m to £4.0m primarily due to FY08 dividend income from equity investments in Banco Popolare Gruppo Bancario (BP) and Aquilae of £4.4m (FY09: nil) and net gains on seed capital investment disposals of £6.2m in FY08 (FY09: net losses £0.1m).

### Operating costs

Operating costs decreased by 3% to £186.0m in FY09 with the decrease being mainly due to a cost reduction programme commenced in FY08 and the Restructure, but offset by the integration of the New Star Asset Management Group PLC (New Star), see below for more details.

Employee compensation and benefits were £6.7m lower at £119.1m in FY09 compared to £125.8 in FY08. Within this, fixed staff costs decreased by £4.4m due to a cost reduction programme and variable staff costs increased slightly by £2.3m.

Office and operating lease costs increased by £2.0m to £15.2m in FY09, primarily due to the release, in FY08, of a void space provision of £2.4m and a lease incentive of £1.2m, following the lease surrender of the Group's previously occupied London offices, in November 2008. In addition, inflation and adverse currency movements on overseas accommodation contributed to the increase in FY09.

Depreciation increased by £0.9m to £3.2m in FY09, mainly due to depreciation of capital expenditure incurred in relocating the Group's London offices in 2008.

Operating margin fell in FY09 to 0.7% (FY08: 24.5%) due to the impact of lower market levels on fee income and the take on of the New Star staff and operational costs within the Group, partly offset by cost reduction measures. The compensation ratio has increased by 15.6% to 59.5% in FY09, reflecting the reduction in fee income resulting from the subdued market conditions throughout the year and the increase in staff levels due to the acquisition of New Star and its controlled entities by Henderson Group plc. The service company of the Henderson Group sits within the Group and includes costs relating to New Star and the companies transferred as a result of the Restructure, revenues for these Companies are outside this Group.

### Finance costs

Finance costs in FY09 were £8.9m, £4.8m less than FY08. The reduction was primarily a result of the amortisation of the profit arising from the unwind of an interest rate swap on debt in December 2008. The cumulative fair value adjustment to the carrying value of the debt up to the date of unwinding (as at 31 December 2009: £7.2m) is being amortised over the residual term of the debt, which matures on 2 May 2012.

### Non-recurring Items

The following non-recurring items, a net charge of £36.2m, were recognised in FY09:

- a credit of £8.8m for insurance recoveries;
- a charge of £17.0m in respect of New Star integration;
- a charge of £20.7m for infrastructure fund management fees; and
- a charge of £7.3m for impairment of seed capital investments in three property funds.

The non-recurring items in FY08 amounted to a net charge of £15.2m.

Further details of the non-recurring items are given in note 7 to the financial statements.

### Outlook

The Group remains committed to providing clients with more valuable investment products. Generating profitable organic growth continues to be our primary focus. The Group also remains alert to opportunities to accelerate our strategic plan subject to our strict financial disciplines. Overall, the Group is optimistic about the outlook for markets although it is expected that volatility will remain high throughout the year. The Group is well placed to grow its existing product ranges in all of our channels and the geographies the Group operates in.

## DIRECTORS' REPORT (continued)

### Risk management

The Henderson Group regards the effective management of its risks as being central to the successful achievement of business objectives. It therefore has in place a framework which is designed to embed the management of risk at all levels within the organisation. The framework also ensures that business objectives are met without exceeding the Henderson Group's risk appetite; and is subject to continuous review to ensure it recognises both new and emerging risks in the business. This framework is applied to entities controlled by Henderson Group plc and therefore applies to the Group.

### Key risks and their mitigation

The principal risks within the Group fall into a number of distinct categories and the means adopted to mitigate them are both varied and relevant to the nature of the risk concerned. The principal risks and the means used to mitigate them as set and identified by the Henderson Group and applied to its controlled entities are set out below:

Key Risks	Description	Mitigation
Acquisition	The Henderson Group's long-term strategy involves its willingness to consider the acquisition of businesses. This introduces the risk of organisational stress through the potential demands made on staff and resources through the need to integrate acquired businesses.	The Henderson Group only considers acquisitions if they provide a fit with its strategic goals and are at a price at which the Henderson Group can realise value for its shareholders. There is thorough due diligence performed before any acquisition is made and this includes assessing the ability of the Henderson Group to successfully integrate the acquired business.
Business disruption	Business disruption risk is the risk of the occurrence of unforeseeable events which could have a material impact on the operations of the business.	The Henderson Group has in place business continuity plans designed to ensure that, should such an event occur, it could maintain its operations without irreparable damage being done to the business. These plans are subject to regular testing. The Group also ensures that its third party administrators have in place similarly comprehensive plans for their operations. Additionally, the Henderson Group has insurance arrangements should losses of revenue occur through business interruption.
Credit	Credit risk is the risk of a counterparty to the Henderson Group either defaulting on Henderson Group funds deposited with it or the non-receipt of a trade debt.	The Henderson Group has an established credit policy to ensure its counterparties meet strict minimum rating requirements consistent with the Henderson Group's risk appetite; and the Henderson Group Credit Risk Committee meets regularly to approve, review and set limits for all new and existing counterparties. In addition, the Henderson Group has many clients that have fees deducted directly from their assets or alternatively are billed regularly with strict payment terms.
Employee retention	The loss of either a member of the Henderson Group Senior Management Team or one of the Henderson Group's principal investment or distribution professionals could have a material adverse effect on both the growth of the business and the retention of existing business. If the loss were of a principal investment manager, there is also a risk that clients may either redeem their funds or move their mandates elsewhere. The loss of a key member of the distribution team could severely impact the ability of the Henderson Group to grow the business in line with its strategy.	The Henderson Group operates appropriate incentive packages designed to be competitive and to recognise and reward out performance. It also has a succession planning policy aimed at ensuring there is appropriate cover for key roles should they become vacant. In addition, staff surveys are carried out to identify any areas which could adversely impact staff retention; and comprehensive training is undertaken to ensure skills and knowledge reside in more than one individual.
Foreign currency	Foreign currency risk is the risk that the Henderson Group will sustain losses through adverse movements in exchange rates, as a result of its exposure to non-GBP income and expenses and assets and liabilities of its overseas subsidiaries; as well as certain other assets and liabilities denominated in a currency other than GBP.	The Henderson Group mitigates this risk through the effect of natural hedges i.e. holding financial assets and liabilities of equal value in the same currency; by limiting the net exposure to an individual currency; and by entering into hedging instruments such as foreign exchange contracts, which are primarily used to hedge available-for-sale financial assets. A Hedge Committee oversees this risk and reports to the Henderson Group Board quarterly.
Investment performance	Investment performance risk is the risk that funds fail to deliver the expected level of performance. The effect of this might be that clients redeem investments, which in turn would result in a reduction in fees earned by the Henderson Group. Poor fund performance will also impact the level of performance related fees earned.	The Henderson Group mitigates this risk: by operating a robust investment process which includes detailed research; by having a clearly articulated investment philosophy; and by analysing fund performance and comparing it against appropriate benchmarks.

## DIRECTORS' REPORT (continued)

Liquidity	Liquidity risk is the risk that the Henderson Group may be unable to meet its payment obligations as they fall due.	<p>The Henderson Group manages its liquidity on a daily basis within the Finance function, which ensures that the Henderson Group has sufficient cash and/or highly liquid assets available to meet its liabilities. The Group ensures that it has access to funds to cover all forecast commitments for at least the following twelve months.</p> <p>The Henderson Group does not bear any liquidity risk associated with its clients' funds and has no obligation to provide short term liquidity to its clients.</p>
Market	Market risk is the risk that market conditions lead to a decline in the value of Henderson Group available-for-sale financial assets and/or a reduction in the value of clients' AUM, which could result in a potentially significant reduction in the level of the fees that are based on the value of clients' AUM.	The Henderson Group mitigates the market risk on the Group's available-for-sale assets by investing in a diversified range of assets; and mitigates a fall in the value of clients' AUM by having a broad range of clients by distribution channel, product, asset class and region. In addition, the Henderson Group actively seeks fee bases which are not solely related to market value of AUM. It also makes a significant amount of its expense base variable and therefore capable of reduction, without having a significant impact on the Group's operating capability.
Operational	Operational risk is the risk that the Henderson Group will sustain losses through inadequate or failed internal processes, people, systems and external events. In addition, it could also suffer indirect losses through damage to its reputation arising from operational failures.	The Henderson Group operates a system of controls which is designed to ensure operational risks are mitigated to the required level. The operation and effectiveness of the controls is regularly assessed and confirmed through the work of the Henderson Group's assurance functions: Risk Management, Compliance and Internal Audit.
Outsourcing	Outsourcing risk is the risk of failure in respect of the provision of services by third party administrators (TPAs). Any significant interruption in services or deterioration in performance could damage the Henderson Group's operations. Furthermore, if the contracts with any of the TPAs are terminated, the Henderson Group may not be able to find alternative TPAs on a timely basis or on equivalent terms.	<p>The Henderson Group oversees the operation of its TPAs to ensure agreed key performance standards are being met and meets regularly with its TPAs to discuss any service concerns or problems and work in partnership with TPAs to deliver solutions.</p> <p>The Henderson Group's assurance functions also review controls operated by our major TPAs.</p> <p>The financial strength of a TPA is given careful consideration when contracts are awarded and also if a material deterioration should occur in a TPA's financial strength.</p>
Reputational	The Henderson Group regards the risk of damage to its reputation as more likely to result from one of the risks described above materialising rather than as a standalone risk.	The Henderson Group believes that avoidance of reputational risk is achieved through ensuring that the mitigation of the other risks is effective. In addition it maintains an effective means of communication with shareholders and analysts to address rumours and misrepresentations of its position to further mitigate the risk of damage to its reputation.

### Principal activities

The principal activity of the Group in 2009 was the provision of investment management services.

### Future developments and business review

The Group's results for the year are shown in the consolidated income statement on page 10. A review of the financial year and future developments is covered in the Business Review, on pages 1 and 2 which is incorporated into, and forms part of this Directors' Report.

### Branches

The Group continues to operate a number of overseas branches.

### Reporting

The Company has a debt instrument listed on the London Stock Exchange (LSE) and therefore the Group complies with the LSE disclosure requirements.

### Events after the balance sheet date

The Board has not received, as 24 June 2010, being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date which have not been reflected in the financial statements as presented. The Board has, however, given due regard to the events disclosed in Note 35 to the financial statements.

On 17 May 2010 the Company made an additional investment a subsidiary of £32.7m. In addition, on 27 May 2010 the Company has received a dividend of £50.0m from a subsidiary and received a capital contribution of £50.0m from its immediate parent.

## DIRECTORS' REPORT (continued)

### Share capital

Details of movements in the allotted share capital during the year are given in note 25 to the financial statements.

### Directors

Andrew Formica	
Shirley Garrood	(appointed 1.9.2009)
Steven O'Brien	
Toby Hiscock	(resigned 1.9.2009)

### Directors' remuneration and interests

A full Report on Directors' Remuneration has been included in the Annual Report and Accounts of Henderson Group plc. A copy of those accounts can be obtained as set out in note 32. Details of Steven O'Brien's emoluments are included in disclosures made in the Annual Report and Accounts of Henderson Administration Limited. A copy of those accounts can be obtained from its registered office at 201 Bishopsgate, London, EC2M 3AE.

### Workplace

The Group recognises the value and contribution employees make to the success and future growth prospects of the business. The Group applies the human resource policies and procedures set by the Henderson Group, to support the recruitment, retention, reward and development of employees.

#### Equality and diversity

The Group is an equal opportunities employer and has appropriate human resource policies and procedures in place with the intention that employees have a working environment free from discrimination and harassment. Managers receive training on how to deal with discrimination and harassment in the workplace and in 2010 the Group will have refresher training for all employees on equal opportunities in the workplace. The Group's human resource policies and staff benefits attract and retain a diverse and flexible workforce. Additionally, full and fair consideration is given to applications from, and the continued employment of, people with disabilities and learning difficulties. In line with the UK Public Interest Disclosure Act 1988, the Group operates procedures to enable employees to report wrongdoing or malpractice at work, commonly referred to as 'whistleblowing'. All employees are informed of this process during their induction to the Group.

#### Employee consultation and involvement

The Communications Forum is a UK elected body representing staff and is a platform where issues affecting staff can be discussed and, if needed, raised with the Senior Management Team of the Henderson Group. It also provides a platform for management to consult with staff and seek views on particular issues. The Communications Forum meets monthly and the Chief Executive of Henderson Group plc attends quarterly. Regular employee briefings are carried out by senior management to provide an insight into the business. The Chief Executive of Henderson Group plc held five staff briefings in 2009 which were made available on the Henderson Group intranet.

#### Staff survey

Employees' views are sought through a staff survey. In the most recent survey, conducted in 2009, all staff were invited to participate by completing a confidential online questionnaire. The survey showed that in many areas the Group exceeded its industry benchmarks, in particular customer focus, overall staff engagement and commitment to the Group and job satisfaction scored highly. Areas identified for improvement in 2010 include career development and training.

#### Recruitment

The Group's recruitment strategy aims to attract and retain talented individuals. The Group offers resourcing and interviewing courses which cover developments in recruitment practice, assessment methods and interviewing skills. The Group offers one-to-one training for line managers to assist with this. Employees are encouraged to consider opportunities within the Group and, as such, advertise job vacancies on the Henderson Group's intranet. The Group also runs a global employee referral programme allowing employees to refer individuals to the Group as prospective employees.

#### Training and development

The Group's training policy is designed to invest in employees and equip them with skills and capabilities for the present and for the future. As part of a drive to develop talent, the Group has introduced a graduate recruitment programme and has strengthened this by offering internships and placements. The graduate recruitment programme lasts for two years and helps the Group to invest in its future talent through a structured development plan, giving graduates exposure to a wide range of business areas and training. All graduates on the programme are sponsored for and take the full Chartered Financial Analyst qualification. The Group has a suite of development workshops for all employees and also support the study for, and attainment of, appropriate professional qualifications. All training and development opportunities are promoted on the Henderson Group's intranet and via regular meetings with line managers. The Group also uses annual performance appraisals as an opportunity to identify priorities including training needs.

#### Employee reward and retention

The Group recognises and rewards performance based on an employee's contribution to the success of the business. The Group has a total reward approach, which has a mix of both financial and non-financial elements. The Group pays competitively and gives greater rewards for stretch and superior performance. The Group delivers this both through short-term bonuses (usually annual cash bonuses) and, for senior managers, through longer-term incentives (generally three to four year equity-based plans). Bonus payments above a certain monetary level have a portion deferred to provide a retention element to the incentive. The Group is committed to building staff share ownership. There are a number of all-employee share schemes and the Group looks at innovative ways to build staff share ownership further.

#### Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

## **DIRECTORS' REPORT** (continued)

### **Political donations**

The Group made no political donations, incurred no European Union political expenditure and made no contribution to a non-European Union political party during the year.

### **Supplier payment policy**

The Company has no trade creditors. However, the Group's policy is that payments to suppliers are made in accordance with the terms and conditions agreed between Group companies and their suppliers, provided that all trading terms and conditions have been complied with. In respect of the Group's activities, the amounts due to trade creditors as at 31 December 2009 represent approximately 30 days of average daily purchases throughout the year (2008: 30 days).

### **Charitable donations**

Donations by the Group during the year towards community and charitable causes amounted to £52,609 (2008: £59,322), which comprised social and welfare £22,635 (2008: £21,969); education and international £3,920 (2008: £4,115); and medical and other projects £26,054 (2008: £33,238).

### **Going concern and financial instruments**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review above. The financial position of the Group, its cash flows and liquidity position are described in the financial statements and notes. In particular, note 28 to the financial statements summarises the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to liquidity and credit risks.

The Group has considerable financial resources together with diverse revenue streams. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have made appropriate enquiries into the material uncertainties inherent in current and expected future market conditions, the trading performance of the Group and the debt instrument issued by the Group in 2007 which matures in 2012. After thorough examination, the Directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future and therefore, continue to adopt the going concern basis in preparing the Annual Report and Accounts.

In addition, on 27 May 2010 the Company has received a dividend of £50.0m from a subsidiary and received a capital contribution of £50.0m from its immediate parent.

### **Dividends**

The Directors did not declare an interim dividend (2008: £12,700,000) for the Company. The directors have not recommended the payment of a final dividend (2008: £33,900,000) for the Company. Note 10 to the financial statements sets out the involvement the Group has in paying a dividend for the Henderson Group

### **Indemnification and insurance of Directors and Officers**

The Company provides a Deed of Indemnity to the Directors to the extent permitted by UK Law, including indemnification against any liabilities incurred in defending any proceedings in which judgement is given in that Director's favour or he is acquitted, against liabilities incurred otherwise than to the Company, if the Director acted in good faith with a view to the best interests of the Company or against any liabilities incurred in successfully applying to the Court for relief where the Director acted honestly.

In addition, the Deed of Indemnity provides that Directors will have access to the Board papers of the Company for the period of their office and for seven years after ceasing to be a Director for the purpose of defending legal proceedings, and that the Company will maintain Directors' and Officers' liability insurance cover for the Directors to the extent permitted by law for the period of their office.

### **Corporate governance**

Throughout the year ended 31 December 2009, the Group has been in compliance with the code provisions set out in section 1 of the 2006 Combined Code on Corporate Governance. A full Report on Corporate Governance has been included in the Annual Report and Accounts of Henderson Group plc. A copy of those accounts can be obtained as set out in note 32.

### **Internal controls over financial reporting**

The Group's financial reporting process has been designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of financial statements, including consolidated financial statements, for external purposes, in accordance with International Financial Reporting Standards. This process is under the supervision of the Henderson Group Chief Executive and Chief Financial Officer and has appropriate internal controls to ensure its effectiveness.

The internal controls include: policies and procedures that: (1) relate to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the Group's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements, and that the receipts and expenditures of the Group are being made only in accordance with authorisations of management and Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on the Group's financial statements.

## **DIRECTORS' REPORT** (continued)

### **Independent auditors**

Ernst & Young LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the meeting to approve these accounts.

### **Directors' statement as to disclosure of information to auditors**

Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- so far as the Director is aware, there is no relevant audit information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This report was approved by the Board of Directors on 24 June 2010 and signed on its behalf by:

**Henderson Secretarial Services Limited**

Secretary

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the 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 International Financial Reporting Standards (IFRS). 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 judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting 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.

**Andrew Formica**  
Director  
24 June 2010

**Shirley Garrod**  
Director  
24 June 2010

## **INDEPENDENT AUDITOR'S REPORT to the Members of HGI Group Limited**

We have audited the financial statements of HGI Group Limited for the year ended 31 December 2009 which comprise the Consolidated and Company Statement of Financial Position, Consolidated Income Statement, Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Cash Flow Statement and Consolidated and Company Statement of Changes in Equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 group's and the parent 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.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Ratan Engineer (Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 24 June 2010

### **Notes:**

1. The maintenance and integrity of the Henderson Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2009**

	Notes	2009 £m	2008 £m
<b>Income</b>			
Gross fee income and commissions	3	250.3	323.5
Finance income	3	4.0	13.6
Gross income		254.3	337.1
Commissions and fees payable	3	(54.1)	(50.6)
Net income		200.2	286.5
<b>Expenses</b>			
Operating costs	4.1	(182.8)	(190.1)
Depreciation	14	(3.2)	(2.3)
Total expenses before finance costs		(186.0)	(192.4)
Finance costs	6	(8.9)	(13.7)
Total expenses		(194.9)	(206.1)
<b>Recurring profit before intangible amortisation and tax</b>		<b>5.3</b>	80.4
Intangible amortisation		(0.3)	(0.1)
<b>Recurring profit before tax</b>		<b>5.0</b>	80.3
Non-recurring items	7	(36.2)	(15.2)
<b>(Loss)/profit before tax</b>		<b>(31.2)</b>	65.1
Taxation	8	5.9	(3.8)
<b>(Loss)/profit after tax</b>		<b>(25.3)</b>	61.3
<b>Attributable to:</b>			
Equity holders of the parent		(25.4)	61.2
Minority interests		0.1	0.1
		(25.3)	61.3
<b>Dividends</b>			
Dividends declared and charged to equity during the year	10	47.9	42.9
Dividends proposed	10	34.1	33.4

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2009**

	Notes	2009 £m	2008 £m
<b>(Loss)/profit after tax</b>		<b>(25.3)</b>	61.3
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<b>(0.8)</b>	6.9
<i>Available-for-sale financial assets:</i>			
Exchange differences on translation		<b>(2.9)</b>	4.4
Translation reserve transfer on sale		<b>(1.1)</b>	-
Translation reserve transfer on impairment		<b>0.5</b>	-
Net losses on revaluation		<b>(8.2)</b>	(51.4)
Revaluation reserve transfer on sale		<b>5.6</b>	3.6
Revaluation reserve transfer on impairment		<b>6.8</b>	7.2
Taxation effect of available-for-sale financial assets movements	8	<b>(0.6)</b>	2.3
<i>Actuarial (losses)/gains:</i>			
Actuarial (losses)/gains on defined benefit pension schemes	20	<b>(69.7)</b>	65.0
Actuarial gains on post-retirement medical benefits		<b>0.1</b>	-
Taxation effect of actuarial losses/(gains)	8	<b>19.4</b>	(18.2)
Other comprehensive (expense)/income after tax		<b>(50.9)</b>	19.8
<b>Total comprehensive income</b>		<b>(76.2)</b>	81.1
<b>Attributable to:</b>			
Equity holders of the parent		<b>(76.3)</b>	81.0
Minority interests		<b>0.1</b>	0.1
		<b>(76.2)</b>	81.1

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2009**

		2009	2008 (Restated)
	Notes	£m	£m
<b>Non-current assets</b>			
Intangible assets	12	226.3	226.1
Investments accounted for using the equity method	13.2	5.0	5.5
Plant and equipment	14	22.0	22.5
Retirement benefit assets	20	90.0	152.5
Deferred tax assets	22	7.0	5.4
Deferred acquisition and commission costs	16	29.1	16.9
		<b>379.4</b>	428.9
<b>Current assets</b>			
Available-for-sale financial assets	15	27.3	48.2
Financial assets at fair value through profit or loss	15	0.6	0.4
Trade and other receivables	17	297.6	247.5
Deferred acquisition and commission costs	16	24.9	17.7
Cash and cash equivalents	18.1	84.5	132.7
		<b>434.9</b>	446.5
<b>Total assets</b>		<b>814.3</b>	875.4
<b>Non-current liabilities</b>			
Debt instrument in issue	19	181.9	184.5
Retirement benefit obligations	20	6.1	4.7
Provisions	21	20.9	20.1
Deferred tax liabilities	22	30.1	44.7
Deferred income		27.3	15.7
		<b>266.3</b>	269.7
<b>Current liabilities</b>			
Trade and other payables	24	285.3	237.1
Provisions	21	13.1	7.7
Deferred income		24.5	17.0
Current tax liabilities		12.9	23.5
		<b>335.8</b>	285.3
<b>Total liabilities</b>		<b>602.1</b>	555.0
<b>Net assets</b>		<b>212.2</b>	320.4
<b>Capital and reserves</b>			
Share capital	25	90.6	90.6
Share premium		195.1	195.1
Own shares held		-	-
Translation reserve		1.6	5.9
Revaluation reserve		2.0	(2.1)
Profit and loss reserve		(77.5)	30.6
<b>Shareholders' equity</b>		<b>211.8</b>	320.1
Minority interests	27	0.4	0.3
<b>Total equity</b>		<b>212.2</b>	320.4

The financial statements were approved by the Board of Directors and authorised for issue on 24 June 2010. They were signed on its behalf by:

**S J Garrood**  
 Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2009

	Share Capital	Share premium	Treasury shares	Own shares held	Translation reserve	Revaluation reserve	Profit and loss account	Minority interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2008</b>	90.6	194.6	(6.7)	(85.5)	(1.8)	(16.3)	99.0	0.2	274.1
Total comprehensive income net of tax	-	-	-	-	7.7	14.2	59.1	0.1	81.1
IFRS 2 Capital Contribution	-	-	-	-	-	-	-	53.0	53.0
Dividends paid to equity shareholders	-	-	-	-	-	-	(42.9)	-	(42.9)
Purchase of own shares	-	-	-	(14.8)	-	-	-	-	(14.8)
Transfer of treasury shares	-	-	6.7	(6.7)	-	-	-	-	-
Vesting of share schemes	-	-	-	31.6	-	-	(31.6)	-	-
Issue of shares for SAYE	-	0.2	-	-	-	-	-	-	0.2
Issue of shares for BAYE	-	0.3	-	-	-	-	(0.4)	-	(0.1)
Movement in equity- settled share scheme expenses	-	-	-	-	-	-	18.8	-	18.8
Novation of share schemes on the implementation of the Scheme	-	-	-	75.4	-	-	9.5	-	84.9
At 31 December 2008	90.6	195.1	-	-	5.9	(2.1)	111.5	53.3	454.3
Restatement (Note 36)	-	-	-	-	-	-	(80.9)	(53.0)	(133.9)
<b>At 31 December 2008 (Restated)</b>	90.6	195.1	-	-	5.9	(2.1)	30.6	0.3	320.4
Total comprehensive income net of tax	-	-	-	-	(4.3)	4.1	(76.1)	0.1	(76.2)
Dividends paid to equity shareholders	-	-	-	-	-	-	(47.9)	-	(47.9)
Capital contribution from Henderson Group plc in relation to share based payments	-	-	-	-	-	-	15.9	-	15.9
<b>At 31 December 2009</b>	<b>90.6</b>	<b>195.1</b>	<b>-</b>	<b>-</b>	<b>1.6</b>	<b>2.0</b>	<b>(77.5)</b>	<b>0.4</b>	<b>212.2</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2009**

	Notes	2009 £m	2008 £m
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(31.2)	65.1
Adjustments to reconcile (loss)/profit before tax to net cash flows from operating activities:			
- depreciation of plant and equipment	14	3.2	2.3
- amortisation of intangibles	12	0.3	0.1
- net loss on disposal of plant and equipment		-	2.3
- net (profit) on group restructuring		-	(34.2)
- share-based payment charges		15.9	22.3
- net deferred acquisition and commission costs and deferred income amortisation		(3.5)	(0.1)
- impairment of available-for-sale financial assets	7	7.3	17.0
- profit on disposal of available-for-sale financial assets		0.6	(3.9)
- defined benefit service credit		-	(0.2)
- contributions to the Henderson Group Pension Scheme in excess of costs recognised		(5.6)	(25.5)
- share of profit of associates and joint ventures	13.2	(0.7)	(2.4)
- movement in minority interests		-	0.1
- profit on unwinding of an interest rate swap on Corporate debt		-	(1.5)
- debt instrument interest expense	6	8.8	12.3
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(4.9)</b>	<b>53.7</b>
Changes in operating assets and liabilities	18.2	9.9	(51.1)
Net tax paid		(0.5)	(8.0)
<b>Net cash flows from operating activities</b>		<b>4.5</b>	<b>(5.4)</b>
<b>Cash flows from investing activities acquisition of subsidiaries, net of cash acquired</b>			
Proceeds from sale of available-for-sale financial assets		16.3	26.9
Cash transferred on group restructuring		-	(30.7)
Dividends from associates and distributions from joint ventures		0.9	1.4
Purchases of:			
- available-for-sale financial assets		-	-
- plant and equipment		(3.6)	(20.4)
- intangible assets		(0.5)	(1.9)
- debt or equity instruments and investments in associates and joint ventures		(5.2)	(31.8)
<b>Net cash flows from investing activities</b>		<b>7.9</b>	<b>(56.5)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	0.2
Acquisition of own shares		-	(16.2)
Dividends paid to equity shareholders	10	(47.9)	(42.9)
Proceeds from unwinding of an interest rate swap on Corporate debt		-	11.4
Interest paid on debt instrument in issue		(11.4)	(12.2)
<b>Net cash flows from financing activities</b>		<b>(59.3)</b>	<b>(59.7)</b>
Effects of exchange rate changes		(1.3)	6.3
<b>Net decrease in cash and cash equivalents</b>		<b>(48.2)</b>	<b>(115.3)</b>
Cash and cash equivalents at beginning of year	18.1	132.7	248.0
<b>Cash and cash equivalents at end of year</b>	<b>18.1</b>	<b>84.5</b>	<b>132.7</b>

**COMPANY STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2009**

		<b>2009</b>	2008
	<b>Notes</b>	<b>£m</b>	£m
Loss after tax		(50.2)	(26.3)
Actuarial (losses)/gains on defined benefit pension schemes	20	(68.5)	63.9
Tax credit/(charge) on items taken directly to equity		19.2	(17.9)
(Loss)/income recognised directly in equity		(49.3)	46.0
<b>Total recognised income and expense</b>		<b>(99.5)</b>	19.7

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2009**  
**Registered number 2072534**

	Notes	2009 £m	2008 (Restated) £m
<b>Non-current assets</b>			
Investment in subsidiaries	13.1	871.7	874.2
Retirement benefit assets	20	90.0	152.5
		<b>961.7</b>	1,026.7
<b>Current assets</b>			
Current tax assets		-	29.5
Trade and other receivables	17	376.2	198.9
Cash and cash equivalents	18.1	8.9	11.2
		<b>385.1</b>	239.6
<b>Total assets</b>		<b>1,346.8</b>	1,266.3
<b>Non-current liabilities</b>			
Debt instrument in issue	19	181.9	184.5
Provisions	21	5.8	4.2
Deferred tax liabilities	22	6.0	25.2
		<b>193.7</b>	213.9
<b>Current liabilities</b>			
Borrowings	23	549.0	422.0
Trade and other payables	24	342.7	269.0
Provisions	21	0.5	2.1
Current tax liabilities		1.1	-
		<b>893.3</b>	693.1
<b>Total liabilities</b>		<b>1,087.0</b>	907.0
<b>Net assets</b>		<b>259.8</b>	359.3
<b>Capital and reserves</b>			
Share capital	25	90.6	90.6
Share premium		195.1	195.1
Profit and loss account		(25.9)	73.6
<b>Total equity</b>		<b>259.8</b>	359.3

The financial statements were approved by the Board of Directors and authorised for issue on 24 June 2010. They were signed on its behalf by:

**S J Garrod**  
 Director

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2009**

	Share capital	Share premium	Treasury Shares	Own shares held	Profit and loss account	Total
	£m	£m	£m	£m	£m	£m
<b>At 1 January 2008</b>	90.6	194.6	(6.7)	(85.5)	185.5	378.5
Total comprehensive income net of tax	-	-	-	-	19.7	19.7
Dividends paid to equity shareholders	-	-	-	-	(42.9)	(42.9)
Purchase of own shares	-	-	-	(14.8)	-	(14.8)
Transfer of treasury shares	-	-	6.7	(6.7)	-	-
Vesting of share schemes	-	-	-	31.6	(31.6)	-
Novation of share schemes on implementation of the scheme of arrangement	-	-	-	75.4	9.5	84.9
Issue of shares for Sharesave scheme (SAYE)	-	0.2	-	-	-	0.2
Issue of shares for Buy As You Earn Share Plan (BAYE)	-	0.3	-	-	(0.4)	(0.1)
Movement in equity-settled share scheme expenses	-	-	-	-	18.7	18.7
At 31 December 2008	90.6	195.1	-	-	158.5	444.2
Restatement (Note 36)	-	-	-	-	(84.9)	(84.9)
<b>At 31 December 2008 (Restated)</b>	90.6	195.1	-	-	73.6	359.3
Total comprehensive income net of tax	-	-	-	-	(99.5)	(99.5)
<b>At 31 December 2009</b>	<b>90.6</b>	<b>195.1</b>	<b>-</b>	<b>-</b>	<b>(25.9)</b>	<b>259.8</b>

**COMPANY STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2009**

	Notes	2009 £m	2008 £m
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(49.1)	(42.2)
Adjustments to reconcile profit before tax to net cash flows from operating activities:			
- impairment of available-for-sale financial assets		-	6.0
- impairment of investment in subsidiaries	13.1	50.6	-
- contributions to the Henderson Group Pension Scheme		(10.0)	(29.9)
- profit on unwinding of an interest rate swap on Corporate debt		-	(1.5)
- write off of loan interest payable to subsidiary		(9.2)	-
- finance costs		17.2	38.7
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(0.5)</b>	<b>(28.9)</b>
Changes in operating assets and liabilities	18.2	60.1	80.0
<b>Net cash flows from operating activities</b>		<b>59.6</b>	<b>51.1</b>
<b>Cash flows from investing activities</b>			
Increase in investment in subsidiaries		(50.5)	-
		(50.5)	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	0.2
Cash payments to owners to acquire or redeem own shares		-	(14.8)
Loans received from subsidiary company		127.0	-
Loans paid to parent company		(127.0)	-
Dividends paid to equity shareholders		-	(42.9)
Proceeds from unwinding of an interest rate swap on Corporate debt		-	11.4
Interest paid on long-term borrowings		(11.4)	(12.2)
<b>Net cash flows from financing activities</b>		<b>(11.4)</b>	<b>(58.3)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2.3)</b>	<b>(7.2)</b>
Cash and cash equivalents at beginning of year	18.1	11.2	18.4
<b>Cash and cash equivalents at end of year</b>	18.1	<b>8.9</b>	<b>11.2</b>

## Notes to the financial statements – Group and Company

### 1. Authorisation of financial statements and statement of compliance with IFRS

The Group and Company financial statements for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 24 June 2010 and the respective statements of financial position were signed on the Board's behalf by Shirley Garrod. The Company is a limited company incorporated in England and Wales and tax resident in the United Kingdom.

The Group and Company financial statements have been prepared in accordance with IFRS and the provisions of the Companies Act 2006. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present its own Income Statement within these financial statements.

The principal accounting policies adopted by the Group and by the Company are set out in note 2.

### 2. Accounting policies

#### 2.1 Significant accounting policies

##### Basis of preparation

The Group and Company financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value.

The Group and Company financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m), except when otherwise indicated.

##### Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at 31 December each year.

The financial statements of all the Group's significant subsidiaries are prepared to the same year end date as that of the Company. The subsidiary accounts are not all prepared under IFRS. However, the financial statements of all the material entities are prepared under either IFRS or UK GAAP. Where prepared under UK GAAP, balances reported by subsidiaries are adjusted to meet IFRS requirements for the purposes of the consolidated financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the period of the reporting year during which the Group had control. Minority interests represent the equity interests in subsidiaries not fully held by the Group.

Interests in property closed-ended funds, private equity infrastructure funds, Open-Ended Investment Companies (OEICs) and unit trusts are accounted for as subsidiaries, associates, joint ventures or other financial investments depending on the holdings of the Group and on the level of influence and control that the Group exercises. Strategic shareholder investments in associates, where the Group has the ability to exercise significant influence, as well as joint ventures where there is joint control, are accounted for using the equity method.

##### Income recognition

###### Fee income and commission receivable

Fee income includes annual management charges, transaction fees and performance fees (including earned carried interest). Annual management charges and transaction fees are recognised in the accounting period in which the associated investment management or transaction services are provided. Performance fees are recognised when the prescribed performance hurdles have been achieved and it is probable that the fee will crystallise as a result. The Group's policy is to accrue 95% of the expected fee on satisfaction that the recognition criteria have established a performance fee is due, with the balance recognised on cash settlement. Initial fees and commission receivable are deferred and amortised over the anticipated period in which services will be provided, determined by reference to the average term of investors in each product on which commissions are earned. Other income is recognised in the accounting period in which services are rendered.

###### Carried interest

The Group is entitled to receive a share of profits (carried interest) from certain private equity funds it manages, once the funds meet certain performance conditions. Where the funds' investments constitute large volumes in relatively illiquid markets, the Group does not deem it appropriate to recognise unearned carried interest based on current fair values. Carried interest is recognised when investments are disposed of and performance conditions are met.

###### Finance income

Interest income is recognised as it accrues using the effective interest rate method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

###### Realised and unrealised gains and losses on financial assets

See policy set out under financial instruments on page 21.

###### Operating leases

All leases are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

## Notes to the financial statements – Group and Company (continued)

### 2. Accounting policies (continued)

#### 2.1 Significant accounting policies (continued)

##### Post-employment benefits

The Group provides employees with retirement benefits through both defined benefit and defined contribution schemes. The assets of these schemes are held separately from the Group's general assets in trustee administered funds.

Defined benefit obligations and the cost of providing benefits are determined annually by independent qualified actuaries using the projected unit credit method. The obligation is measured as the present value of the estimated future cash outflows using a discount rate based on AA rated corporate bonds of appropriate duration. The resulting surplus or deficit of defined benefit assets less liabilities is recognised in the statement of financial position. The Group's expense related to these schemes is accrued over the employees' service lives, based upon the actuarial cost for the accounting period, having considered interest costs and the expected return on assets. Actuarial gains and losses are recognised in the statement of comprehensive income in the accounting period in which they occur. Normal contributions to the defined contribution scheme are charged to the income statement as they become payable in accordance with the rules of the scheme.

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees. The costs of such benefits are accrued over the employee's service life, based upon the actuarial cost for the accounting period using a methodology similar to that for defined benefit pension schemes.

##### Share-based payment transactions

The Group issues equity-settled and cash-settled share-based payments to certain employees. The valuation methodology, assumptions and schemes are disclosed in note 9.5. All shares issued in settlement of share based payments are shares in Henderson Group plc, the ultimate parent of the Henderson Group.

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The awards are expensed, with a corresponding increase in reserves, on either a straight-line basis or a graded basis (depending on vesting conditions) over the vesting period, based on the Group's estimate of shares that will eventually vest. The expected life of the awards used in the determination of fair value is adjusted for, based on management's best estimate, the effects of non-transferability, exercise restrictions, market performance, and behavioural considerations.

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement.

##### Income and sales taxes

The Group provides for current tax expense according to the tax laws of each jurisdiction in which it operates, using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are not recognised for taxable differences arising on investments in subsidiaries, branches, associates and joint ventures where the Group controls the timing of the reversal of the temporary differences and where the reversal of the temporary differences is not anticipated in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognised in the statement of comprehensive income is also recognised in that statement and not in the income statement.

Expenses and assets are recognised net of the amount of sales tax, except where the sales tax is not recoverable, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of expenses. Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority, is included separately in receivables or payables in the statement of financial position.

##### Business combinations

Under the requirements of *IFRS 3 Business Combinations*, all business combinations are accounted for using the purchase method (acquisition accounting). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any costs directly attributable to the business combination. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The cost of a business combination in excess of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill.

## Notes to the financial statements – Group and Company (continued)

### 2. Accounting policies (continued)

#### 2.1 Significant accounting policies (continued)

##### Goodwill

Goodwill arising on acquisitions, being the excess of the cost of a business combination over the fair value of the identifiable assets (including intangible assets identified), liabilities and contingent liabilities acquired, is capitalised in the consolidated statement of financial position. Goodwill on acquisitions prior to 1 January 2004 is carried at its value on 1 January 2004 less any subsequent impairments.

Goodwill arising on investments in associates and joint ventures is included within the carrying value of the equity accounted investments.

##### Impairment of goodwill

Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. For this purpose, management prepares a cash generating unit valuation based on value in use. This valuation is based on the approved forecasts for future years, extrapolated for expected future growth rates, and discounted at the Group's weighted average cost of capital. Where the value in use is less than the carrying amount, an impairment is recognised. Where goodwill forms part of an entity or sub-group and the entity or sub-group or part thereof is disposed of, the goodwill associated with the entity or sub-group disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Any impairment is recognised immediately through the consolidated income statement and cannot be subsequently reversed.

##### Computer software

The costs of purchasing and developing computer software, together with associated relevant expenditure, are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. Computer software is included in the statement of financial position as an intangible asset and is recorded initially at cost and then amortised over its expected useful life of between three and five years on a straight-line basis.

##### Plant and equipment

Plant and equipment is valued at cost and depreciated on a straight-line basis over its useful economic life of between two and 20 years.

An item of plant and equipment is removed upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the year the item is sold or retired.

##### Investments in subsidiaries

Investments by the Company in subsidiary undertakings are held at cost less any impairment where circumstances indicate that the carrying value may not be recoverable.

##### Equity accounted investment

Equity accounted investments comprise investments in associates and joint ventures held by the Group. Investments are recognised initially at cost. The investments are subsequently carried at cost adjusted for the Group's share of profits or losses and other changes in comprehensive income of the associate or joint venture, less any dividends or distributions received by the Group. The income statement includes the Group's share of profits or losses for the year.

##### Deferred acquisition and commission costs

For investment management contracts, incremental acquisition costs are deferred to the extent that they are recoverable out of future income. This includes initial commission expenses paid by the Group in respect of certain investment products. These costs are then amortised over the period in which they are expected to be recovered out of margins from matching revenues from related contracts. At the end of each accounting period, deferred acquisition and commission costs are reviewed for recoverability against future margins from the related contracts in force at the reporting date.

Placement fees are deferred and amortised over the expected investment period of the fund. Where the actual investment period is significantly shorter than expected, the amortisation rate is accelerated accordingly.

##### Impairment of assets (excluding goodwill and financial assets)

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount, being the higher of an asset's fair value less cost to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a post-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount. An impairment loss is recognised in the income statement.

##### Financial instruments

Financial assets and liabilities are recognised in the statement of financial position, when the Group becomes party to the contractual provisions of an instrument, at fair value adjusted for transaction costs, except for financial assets classified at fair value through profit or loss, where transaction costs are immediately recognised in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities cease to be recognised when the obligation under the liability has been discharged, cancelled or expired.

## Notes to the financial statements – Group and Company (continued)

### 2. Accounting policies (continued)

#### 2.1 Significant accounting policies (continued)

##### Financial assets

Purchases and sales of financial assets are recognised at trade date, being the date when the purchase or sale becomes contractually due for settlement. Delivery and settlement terms are usually determined by established practices in the market concerned.

Debt securities, equity securities and holdings in authorised collective investment schemes are designated as either at fair value through profit or loss, or available-for-sale, and are measured at subsequent reporting dates at fair value. The Group determines the classification of its financial assets on initial recognition. Financial assets classified at fair value through profit or loss comprise the Group's manager box positions in OEICs and unit trusts, which are recorded on a fair value basis. Where securities are designated at fair value through profit or loss, gains and losses arising from changes in fair value are included in the income statement.

For available-for-sale financial assets, gains and losses arising from changes in fair value which are not part of a designated hedge relationship are recognised in the statement of comprehensive income. When an asset is disposed of the cumulative changes in fair value, previously recognised in the statement of comprehensive income, is taken to the income statement.

Where a fall in the value of an investment is significant or prolonged, this is considered an indication of impairment. In such an event, the investment is written down to fair value and the amounts previously recognised in the statement of comprehensive income in respect of cumulative changes in fair value, are taken to the income statement as an impairment charge.

Trade receivables, which generally have 30 - 90 day payment terms, are initially recognised at fair value, normally equivalent to the invoice amount and subsequently measured at amortised cost. When the time value of money is material, the fair value is discounted. Provision for specific doubtful debts is made when there is evidence that the Group will not be able to recover balances in full. Balances are written off when the receivable amount is deemed irrecoverable.

Cash amounts represent cash in hand and on-demand deposits. Cash equivalents are short-term highly liquid investments with same day or next day maturity.

##### Financial liabilities

Financial liabilities including trade payables are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. A financial liability ceases to be recognised when the obligation under the liability has been discharged, cancelled or expired.

##### Realised and unrealised gains and losses on financial assets

Gains and losses (both realised and unrealised) on financial assets measured at fair value through profit or loss are recognised in the income statement as finance income.

Unrealised gains and losses on financial assets designated as available-for-sale are initially recognised through the statement of comprehensive income. The treatment of the cumulative changes in fair value on realisation is described under financial assets on the previous page.

Realised gains and losses on financial assets are calculated as the difference between the net sales proceeds and cost or amortised cost. Unrealised gains and losses on financial assets represent the difference between the fair value of financial assets at the reporting date and cost or, if these have been previously revalued, the fair value at the last reporting date. The movement in unrealised gains and losses recognised in the accounting period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of financial asset disposals in the current accounting period.

##### Derivative financial instruments and hedging

The Group may, from time to time, use derivative financial instruments to hedge against price, interest rate, foreign currency and credit risk. Derivative financial instruments are classified as financial assets when the fair value is positive or as financial liabilities when the fair value is negative.

At the inception of a hedge, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they have been effective throughout the reporting periods for which they were designated and are expected to remain effective over the remaining hedge period.

##### Currency hedges

Forward currency contracts are used to hedge the currency nominal value of certain Euro and US dollar denominated available-for-sale financial assets and are classified as fair value hedges. The change in the fair value of a hedging instrument is recognised in the income statement. The change in the fair value of the hedged item, attributable to the risk being hedged, is also recognised in the income statement, offsetting the fair value changes arising on the designated hedge instrument.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the reporting date. The quoted market price used for financial instruments is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques commonly used by market participants including the use of comparable recent arm's length transactions, discounted cash flow analysis and option pricing models.

## Notes to the financial statements – Group and Company (continued)

### 2. Accounting policies (continued)

#### 2.1 Significant accounting policies (continued)

##### Provisions

Provisions which are liabilities of uncertain timing or amount, are recognised when: the Group has a present obligation, legal or constructive, as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting, the increase in the provision due to the passage of time is recognised as a finance charge.

##### Foreign currencies

The functional currency of the Company and its UK subsidiaries is GBP. Transactions in foreign currencies are recorded at the appropriate exchange rate prevailing at the date of the transaction. Foreign currency monetary balances at the reporting date are converted at the prevailing exchange rate. Foreign currency non-monetary balances carried at fair value or cost are translated at the rates prevailing at the date when the fair value or cost is determined. Gains and losses arising on retranslation are taken to the income statement, except for available-for-sale financial assets where the unhedged changes in fair value are recognised in the statement of comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations whose functional currency is not GBP are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at average exchange rates for the accounting period. Exchange differences arising, if any, are taken through the consolidated statement of comprehensive income to the translation reserve. Such translation differences are recognised in the consolidated income statement in the accounting period in which the operation is disposed of.

##### Equity shares

The Company's ordinary equity shares of 12.5 pence each are classified as equity instruments. Equity shares issued by the Company are recorded at the proceeds or fair value received, with the excess of the amount received over the nominal value being recognised in share premium. Direct issue costs, net of tax, are deducted from equity through share premium. When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity.

##### Treasury shares and own shares held

Treasury shares are equity shares of the Company acquired by the Company. Own shares held are equity shares of the Company acquired by Employee Benefit Trusts. Both treasury shares and own shares held are recorded at cost and are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity shares.

##### Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid and, in the case of final dividends, when these are approved by the Company's shareholders at the AGM. Dividend distributions are recognised in equity.

Pursuant to the Income Access Share arrangements, shareholders in Henderson Group plc are able to elect to receive their dividends from a UK source within the Henderson Group. Those shareholders who have elected to receive their dividends via the Income Access Share arrangement, receive them from a subsidiary of the Group.

#### 2.2 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made significant judgements involving estimations and assumptions which are summarised below:

##### Impairment of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. The judgement exercised by management in this valuation includes an assessment of the recoverability of the initial cost of the investment.

##### Impairment of goodwill

As explained on page 21 goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired.

The judgement exercised by management in arriving at this valuation includes the selection of market growth rates, fund flow assumptions, expected margins and costs. Further details are given in note 12.

##### Share-based payment transactions

The Group measures the cost of equity-settled share schemes at fair value at the date of grant and expenses them over the vesting period based on the Group's estimate of shares that will eventually vest.

The liability for cash-settled share schemes represents the estimated transaction cost up to the settlement date, taking into account historical experience of good and bad leavers.

## Notes to the financial statements – Group and Company (continued)

### 2. Accounting policies (continued)

#### 2.3 Significant accounting judgements, estimates and assumptions (continued)

##### Impairment of available-for-sale financial assets

Available-for-sale financial assets are reviewed for impairment on a semi-annual basis or more frequently as required under the impairment tests of prolonged or significant. In specific cases, where a quoted market price or fair value is not available, significant judgement is exercised by management in determining the extent of impairment, taking into account other available market data. Management also exercises judgement in determining whether a decrease in the value of an asset meets the prolonged or significant tests.

##### Pension and other post-employment benefits

The costs of and period end obligations under defined benefit pension schemes are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. Further details are given in note 20.

##### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### Provisions

By their nature, provisions often reflect significant levels of judgement by management. The nature and amount of the provisions included in the statement of financial position are detailed in note 21 and contingencies not provided for are disclosed in note 33.

##### Accrued income

Accrued income is based on latest available information and involves a degree of estimation. The most significant estimation relates to the accrual of performance fees as described on page 19.

##### Consolidation of seed investments

From time to time, the Group provides seed capital on the launch of its products, such as UCITs, SICAVs, hedge funds and other investment vehicles. The seed capital investments vary in duration depending on the nature of the investment, with a typical range of less than one year for Listed Asset products and between three and five years for Private Equity and Property funds, and represent less than 50% of the underlying fund's size. Given the limited size and nature of these investments, the Group does not consider itself to have significant influence or control over the underlying funds to merit accounting for them using the equity method or consolidating them in the Group's results.

#### 2.4 Changes in accounting policies

The accounting policies adopted in this Annual Report and Accounts are consistent with those of the previous financial year, except in relation to the following new and amended standards set by the International Accounting Standards Board (IASB) and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC):

##### IAS 1 Revised Presentation of Financial Statements

This revised standard introduces the statement of comprehensive income, which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements in the form of an income statement and a statement of comprehensive income. The adoption of IAS 1 has also resulted in a change to the name of the 'balance sheet' and the 'cash flow statement', which are now referred to as the 'statement of financial position' and the 'statement of cash flows' respectively. IAS 1 also requires the inclusion of a new primary statement, the 'statement of changes in equity'. The adoption of the amendments has no effect on the financial performance or position of the Group.

##### IFRS 2 Share-based Payments – Vesting Conditions and Cancellations

This standard has been amended to clarify the definition of vesting conditions. The amended standard also requires a cancellation of a share-based award, whether by the entity or other parties, to be accounted for as an acceleration or modification of the vesting period. The adoption of this amendment has no material impact on the financial performance or position of the Group.

##### IFRS 7 Financial Instruments: Disclosures

The Group applies IFRS 7 to the disclosure of financial instruments and has therefore adopted the amendments made to this standard, which require enhanced disclosure about fair value and liquidity risk, effective from 1 January 2009. The Group has taken advantage of the transitional rules in the amended standard and comparatives have not been restated. The adoption of the amendments has no effect on the financial performance or position of the Group.

## 2. Accounting policies (continued)

### 2.4 Changes in accounting policies (continued)

#### IFRS 8 Operating Segments

The Group has applied IFRS 8 Operating Segments, which replaced IAS 14 Segment Reporting for periods beginning on or after 1 January 2009. The new standard requires disclosures to reflect the information which the chief operating decision maker of an entity uses internally for evaluating the performance of its operating segments and allocating resources to those segments. As the Group is managed as a single segment, the only additional disclosure relates to entity-wide disclosures in note 11. The adoption of the amendments has no effect on the financial performance or position of the Group.

In addition, the Group has adopted the following new and amended IFRS and IFRIC interpretations which do not have an impact on the financial performance or position, or the financial statements of the Group or Company:

IAS 23 Borrowing Costs (Revised) effective 1 January 2009. IAS 32 Financial Instruments: Presentation and IAS 1 Puttable

Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009 (early adopted).

IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008.

Improvements to IFRSs (May 2008) effective 1 January 2009.

#### 2.5 Future changes in accounting policies

During the course of the year, the IASB and IFRIC issued a number of new accounting standards, amendments to existing standards and interpretations. The following new or amended standards are not applicable to these financial statements but are expected to have an impact when they become effective in future accounting periods. The Group plans to apply these standards in the reporting period in which they become effective.

IFRS 3 Business Combinations (revised), which the Group will adopt in 2010, introduces a number of changes to accounting for business combinations that will impact the amount of goodwill recognised on acquisition. The amendments will also affect the reported results in the period that an acquisition occurs as well as future results.

IAS 27 Consolidated and Separate Financial Statements (revised), which the Group will adopt in 2010, requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction and such transactions will no longer give rise to goodwill. Furthermore, the amended standard introduces changes to accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary.

IFRS 9 Financial Instruments proposes revised measurement and classification criteria for financial assets. This standard has a mandatory effective date in 2013. The Group is still assessing the impact on the Group's future financial statements.

#### 2.6 Change in presentation

Certain comparatives in the consolidated income statement have been restated. The change relates to performance fee bonuses which have been disclosed in employee compensation and benefits. The performance fee bonuses had previously been deducted in arriving at net income.

## Notes to the financial statements – Group and Company (continued)

### 3. Income

	2009	2008 (Restated)
	£m	£m
<b>Gross fee income and commission receivable on sales</b>		
Gross fee income	224.0	299.9
Amortisation of deferred income	26.3	23.6
	<b>250.3</b>	<b>323.5</b>
<b>Finance income</b>		
Interest on cash and cash equivalents	0.3	7.1
Interest on loans to fellow subsidiaries	3.8	0.7
Net income from gains and losses on available-for-sale financial assets	(0.1)	5.7
Net losses arising on derivatives in a designated fair value hedge accounting relationship	0.3	(8.2)
Net gains arising on adjustment for the hedged item in a designated fair value hedge accounting relationship	(0.3)	8.3
	<b>4.0</b>	<b>13.6</b>
<b>Gross income</b>	<b>254.3</b>	<b>337.1</b>
<b>Commission and fees payable</b>		
Amortisation of deferred acquisition and commission costs	(22.8)	(23.4)
Other commissions and fees payable <sup>1</sup>	(31.3)	(27.2)
	<b>(54.1)</b>	<b>(50.6)</b>
<b>Net fee income and commission income</b>	<b>200.2</b>	<b>286.5</b>

Note

1. Other commissions and fees payable against income included performance fee bonuses in previous years. These are now included as part of employee compensation and benefits in note 5.2.

### 4. Expenses

#### 4.1 Operating costs

	Note	2009	2008 (Restated)
		£m	£m
Employee compensation and benefits	5.2	119.1	125.8
Operating leases <sup>1</sup>		8.1	3.7
Investment administration		15.6	16.4
Information technology		10.2	9.6
Office expenses		7.1	9.5
Foreign exchange losses/(gains)		0.2	(0.6)
Other expenses (including marketing, travel and subsistence, and legal and professional)		22.5	25.7
<b>Total operating costs</b>		<b>182.8</b>	<b>190.1</b>

Note

1. The operating lease expense for 2008 is shown net of the release of a void property provision (£2.4m) and a lease incentive (£1.2m) following the surrender of the 4 Broadgate, London lease on 28 November 2008.

## Notes to the financial statements – Group and Company (continued)

### 4. Expenses (continued)

#### 4.2 Auditors' remuneration

	2009	2008
	£m	£m
Fees payable to the Group's auditors for the audit of the Group's annual consolidated financial statements	0.2	0.2
Fees payable to the Group's auditors and their associates for other services:		
- statutory audit of the Group's subsidiaries	0.6	0.6
- other services pursuant to legislation	0.3	0.4
- other services	0.1	0.1
<b>Total fees</b>	<b>1.2</b>	<b>1.3</b>

The above analysis reflects the amounts billed by Ernst & Young LLP in the respective periods. Included in the fees payable to the Group's auditors for the audit of the Group's 2009 consolidated financial statements are fees of £30,000 (2008: £30,000) for the audit of the Company's 2009 financial statements.

Included in the other services pursuant to legislation charge is £0.3m in respect of the Scheme which is included as a non-recurring item in the consolidated income statement.

### 5. Employee benefits

#### 5.1 Average number of employees

The average number of full-time employees of the Group was as follows:

	2009	2008
	no.	no.
Average number of employees	860	920

#### 5.2 Analysis of employee compensation and benefits expense

Employee compensation and benefits expense comprises:

	Notes	2009	2008
		£m	(Restated) £m
Salaries, wages and bonuses		93.6	103.1
Share-based payments	9.2	13.9	12.0
Social security costs		7.2	6.4
Pension service cost	20	4.4	4.3
<b>Total employee benefits</b>		<b>119.1</b>	<b>125.8</b>

Employees' contracts of employment are with certain subsidiary companies, primarily Henderson Administration Limited; accordingly, there are no employee benefits disclosures relating to the Company.

### 6. Finance costs

	2009	2008
	£m	£m
Debt instrument interest expense	8.8	12.3
Loss on derivatives at fair value through the profit and loss	-	1.4
Revolving credit facility fees	0.1	-
<b>Total finance costs</b>	<b>8.9</b>	<b>13.7</b>

An interest rate swap was entered into at the time of the debt issue in May 2007, to swap the fixed coupon of 6.5% per annum into six month sterling LIBOR plus 85.75bps per annum. The swap was unwound on 9 December 2008 and the cumulative fair value adjustment to the debt carrying value, attributable to the hedged interest rate risk up to the date of unwinding, £10.5m, is being amortised over the remaining term of the debt to maturity on 2 May 2012. The impact of the amortisation of the profit on unwinding the swap is a reduction in finance costs of £3.1m (2008: £0.2m).

## Notes to the financial statements – Group and Company (continued)

### 7. Non-recurring items before tax

The non-recurring items before tax recorded in the consolidated income statement comprise the following:

	2009	2008
	£m	£m
Insurance recoveries	8.8	-
New Star integration costs	(17.0)	-
Infrastructure fund charge	(20.7)	-
Impairment of available-for-sale financial assets – property seed capital	(7.3)	-
Profit on Henderson Group restructuring	-	34.2
Loss on write down of loan to fellow subsidiary	-	(20.9)
Profit on unwinding of an interest rate swap on Corporate debt	-	1.5
Impairment of available-for-sale financial assets – corporate investments	-	(7.2)
Restructuring costs	-	(15.7)
Scheme costs	-	(4.5)
Third party administration review costs	-	(2.6)
	<b>(36.2)</b>	<b>(15.2)</b>

#### 2009

##### Insurance recoveries

During the second half of 2009, the Group reached agreement with insurers regarding a number of insurance claims made by Towry Law International and the Group in 2003 and 2004 under an AMP Limited run-off insurance policy, resulting in a net receivable of £8.8m.

##### New Star integration costs

On 9 April 2009, the Henderson Group Plc acquired New Star. An expense of £17.0m was incurred by the Group in relation to the integration of New Star during the period. These integration costs included costs in respect of fund mergers, rebranding, office relocation and reorganisation, transition of outsourced retail and investment operations and staff related expenses.

##### Infrastructure fund charge

During the year, the Group recognised an exceptional charge of £20.7m in respect of management fees on one of its infrastructure funds.

##### Impairment of available-for-sale financial assets – property seed capital

In accordance with the impairment tests under IAS 39, three available-for-sale financial assets invested in property funds were impaired during 2009. These were written down to their fair values at 31 December 2009, resulting in a charge to the consolidated income statement of £7.3m.

#### 2008

##### Profit on Henderson Group restructuring

On 27 November 2008, the Group completed the sale of the following companies to Henderson Holdings Group BV, a fellow subsidiary, as part of a Group restructuring exercise resulting from the implementation of the Scheme:

Henderson Funds Management (Jersey) Limited,  
Henderson Global Investors (Ireland) Limited,  
Henderson Management SA,  
Henderson Fund Management (Luxembourg) SA,  
Henderson Equity Partners Funds Limited,  
Henderson Global Investors (Hong Kong) Limited,  
Henderson Global Investors (Singapore) Limited,  
Henderson Property Management Company (Luxembourg) No.1 sarl, and  
Henderson International Finances Limited.

The profit on the Group restructuring was calculated as the proceeds, left outstanding, less the net assets transferred which resulted in a profit of £34.2m in the consolidated income statement.

##### Loss on write down of loan to fellow subsidiary

As a result of the Scheme a loan was entered into with a fellow subsidiary of the Company due to the transfer of a limited recourse loan related to the investment in BPSC. During December 2008, the investment in BPSC was impaired and as a result the related loans were written down to the recoverable amount of the investment. This resulted in a loss of £20.9m in the consolidated income statement.

##### Profit on unwinding of an interest rate swap on Corporate debt

An interest rate swap was entered into at the time of the debt issue in May 2007, to swap the fixed coupon of 6.5% per annum into six month sterling LIBOR plus 85.75bps per annum. The swap was unwound on 9 December 2008 and realised a profit of £1.5m before tax, which was recognised in the consolidated income statement as a non-recurring item.

## Notes to the financial statements – Group and Company (continued)

### 7. Non-recurring items before tax (continued)

#### Impairment of available-for-sale financial assets

An investment in a Henderson structured product was impaired to £nil at the end of 2008, resulting in an impairment charge in the consolidated income statement of £7.2m.

#### Restructuring costs

A restructure charge of £15.7m was recognised in the consolidated income statement in 2008, as a result of headcount and related cost reductions carried out in response to prevailing market conditions.

#### Scheme costs

In 2008, the Group undertook a scheme of arrangement which involved reorganising the Group into a more tax and financially efficient structure. Costs of approximately £4.5m were incurred on this project.

#### Third party administration review costs

An expense of £2.6m before tax relief was incurred in connection with a review of most of the Group's third party investment administration arrangements during 2008.

### 8. Taxation

#### Tax recognised in the income statement

	2009	2008
	£m	£m
Current tax:		
- (credit) / charge for the year	(11.0)	2.1
- prior period adjustments	2.5	(12.8)
Deferred tax:		
- charge for the year	9.2	14.5
- prior period adjustments	(6.6)	-
<b>Total tax (credited)/charged to the income statement</b>	<b>(5.9)</b>	<b>3.8</b>

#### Tax recognised in the statement of comprehensive income

	2009	2008
	£m	£m
Deferred tax charge/(credit) in relation to available-for-sale financial assets	0.6	(2.3)
Deferred tax (credit)/charge in relation to actuarial (losses)/gains	(19.4)	18.2
<b>Total tax (credited)/charged to the statement of comprehensive income</b>	<b>(18.8)</b>	<b>15.9</b>

## Notes to the financial statements – Group and Company (continued)

### 8. Taxation (continued)

#### Reconciliation of (loss) or profit before tax to tax (credit)/expense

The tax (credit)/charge for the year can be reconciled to the (loss)/profit before tax in the income statement as follows:

#### Group

	2009	2008
	£m	£m
(Loss)/profit before tax	(31.2)	65.1
Tax (credit)/charge at the UK corporation tax rate of 28.0% (2008: 28.5% pro-rata)	(8.7)	18.6
<i>Factors affecting the tax (credit)/charge:</i>		
Other disallowable expenditure and non-taxable income	5.1	4.7
Prior periods adjustments	(4.1)	(12.8)
Differences in effective tax rates on overseas earnings	2.4	6.4
Other items	(0.6)	(0.4)
Non-allowable losses/(non-taxable gains) in respect of the investment in BP	-	(9.8)
Changes in applicable statutory tax rates	-	(0.3)
Recognition of previously unrecognised temporary differences	-	(2.4)
Utilisation of previously unrecognised tax losses	-	(0.2)
<b>Total tax (credited)/charged in the income statement</b>	<b>(5.9)</b>	<b>3.8</b>

## 9. Share-based payments

### 9.1 Group share-based compensation plans

The following share-based compensation plans were in operation during 2009:

#### Restricted Share Plan (RSP)

The RSP is a scheme that allows employees to receive shares in the Company's ultimate parent (Henderson Group) for £nil consideration at a future point, usually after three years. The awards are made typically for staff recruitment and retention purposes. They may or may not contain a performance hurdle. The Henderson Group plc Remuneration Committee must approve all awards and the vesting of awards. On vesting, in order to obtain the shares, the employee must satisfy any tax and national insurance obligations.

#### Employee Share Ownership Plan (ESOP)

The ESOP, managed by the Deferred Equity Plan trustee, enables all staff, but not the Executive Directors, to defer part of their annual bonus into the ESOP up to a specified limit. The ESOP provides one free matching share of Henderson Group for every share purchased. To receive the matching shares, employees must remain in the plan for three years. The ESOP was offered in 2006, 2007 and 2008. Forfeiture conditions apply in the case of approved and unapproved leavers. No plan was offered in 2009. Matching shares for the 2007 and 2008 plans will vest in June 2010 and June 2011 respectively.

#### Long-Term Incentive Plan (LTIP)

The LTIP is a scheme that allows selected employees to be granted performance shares of Henderson Group. These awards of free shares are granted on condition that the selected employees remain within the Henderson Group for three years after the grant date and that for:

- the 2007 plan, the Total Shareholder Return (TSR) of the Henderson Group (Henderson Group TSR) compared favourably to the median of companies that made up the FTSE 250 Index as at 1 January 2007. If the Henderson Group TSR (average over three months to 31 December 2009) was at the 50th percentile of the FTSE 250 companies, 35% of the shares would vest, with the full amount of shares granted vesting if the Henderson Group TSR is at or above the 75th percentile of the FTSE 250 companies. No vesting would occur if the Henderson Group TSR is below the 50th percentile of the FTSE 250 companies; and
- the 2008 and 2009 plans, the Henderson Group TSR compares favourably to the median of companies that made up the FTSE 350 General Financial Services Index as at 1 January 2008 and 1 January 2009 respectively. If the Henderson Group TSR (average over three months to 31 December 2010 and 2011 respectively) is at the 50th percentile of the FTSE 350 General Financial Services Index, 25% of the shares will vest, with the full amount of shares granted vesting if the Henderson Group TSR is at or above the 75th percentile of the FTSE 350 General Financial Services Index. No vesting will occur if the Henderson Group TSR is below the 50th percentile of the FTSE 350 General Financial Services Index.

For a Henderson Group TSR between the 50th and 75th percentiles, the amount vesting will increase on a linear basis.

The employees are not entitled to vote or receive dividends in respect of these Henderson Group awards until the vesting conditions are met, nor are they allowed to pledge, hedge or assign the expected awards in any way.

In accordance with the scheme terms, the 2007 LTIP met its vesting conditions on 31 December 2009 and the awards will be capable of exercise in March 2010. The TSR performance condition resulted in 100% of the shares of the award being capable of exercise.

For non-UK resident participants, awards can be settled in cash or shares.

#### Deferred Equity Plan (DEP)

Under the Henderson remuneration policy, there is a requirement for employees who receive short-term incentive awards over a preset threshold to defer an element of their award. The majority of deferrals are deferred into the Henderson Group shares with some deferrals into Group managed funds when it is deemed appropriate. The deferred monies are paid to the trustee, who purchases shares or funds and holds them in trust. In 2007, the Henderson Group shares attracted one free matching share for every four shares awarded by the trustee. Since 2008, there has been no matching share element.

Hedge fund deferrals are deferred into the hedge fund that provided the performance fee award and are held in trust for two years on a fully restricted basis and have no matching element.

Forfeiture conditions apply in the case of approved and unapproved leavers. Deferrals into the Henderson Group shares are held in trust for a minimum of one year. However, for the 2007 scheme the shares must be held in trust for three years in order to receive the free matching shares.

Deferrals relating to 2009 performance awards are deferred into the Henderson Group shares for up to three years and vest in three equal tranches starting in 2011 and ending in 2013.

#### Buy As You Earn Share Plan (BAYE)

Eligible employees who wish to purchase shares in the Henderson Group invest a monthly amount up to a maximum of £125, which is deducted from their gross salary. Each participating employee receives, for no additional payment, two free matching shares for each share purchased (partnership shares). Matching shares will be forfeited if purchased shares are withdrawn from the trust within one year.

## Notes to the financial statements – Group and Company (continued)

### 9. Share-based payments (continued)

#### 9.1 Group share-based compensation plans (continued)

##### Company Share Option Plan (CSOP)

The CSOP is a global plan that provides employees with an opportunity to buy Henderson Group shares after a three year vesting period at an option price fixed at the start of the scheme. The CSOP is an HMRC approved share option plan; this means that the maximum value of unvested options at any time is limited to £30,000 for UK employees. No such restrictions apply for overseas employees. The share options are held in trust. There are no company performance conditions attached to the awarding of the options. At vesting, the employee must choose whether or not to exercise the options within two years of the vesting date. Executive Directors of Henderson Group are not eligible to participate in the CSOP.

##### Sharesave scheme (SAYE)

A 2009 SAYE was introduced during the year. UK employees may participate in more than one scheme but only up to a maximum of £250 per month across all plans. The SAYE vesting period is three years for UK employees.

Eligible employees who participate in SAYE contribute a monthly amount from their net salary to a savings account up to a maximum of £250 after tax per month. At the end of a 36 month period, the employees in the 2009 SAYE can choose to exercise their Henderson Group share options using the funds in their account, together with a bonus, equivalent to 0.6 (2007 SAYE: 1.8 and 2008 SAYE: 2.4) times the monthly saving amount, to subscribe for shares at a preset price, this being £0.58 (2007 SAYE: £1.21 and 2008 SAYE: £0.76) per share, a 20% discount to the share price on 4 March 2009 (2007 SAYE: 5 April 2007 and 2008 SAYE: 3 March 2008). Employees have up to six months after the 36 month period to exercise their options and subscribe for shares. Forfeiture provisions apply in the case of approved and unapproved leavers. The 2006 SAYE vested in 2009.

In 2008 the Group launched the USA Employee Share Purchase Plan (ESPP). A 2009 ESPP was also introduced during the year. The ESPP works broadly on the same principles as the UK SAYE but has a 24 month savings period, a lower discount level at 15% and no bonus element. The preset option price was US\$0.88 (2008 ESPP: US\$1.61). Employees may participate in more than one plan but only up to a plan maximum of US\$312.50 after tax per month across all plans.

#### 9.2 Share-based payments through the consolidated income statement

	2009	2008
	£m	£m
RSP	4.5	-
ESOP	4.0	1.9
LTIP	2.2	1.9
DEP	1.1	3.4
BAYE	1.0	1.9
CSOP	0.6	2.9
SAYE	0.5	-
<b>Total expense</b>	<b>13.9</b>	<b>12.0</b>

The total expense can be analysed between:

	2009	2008
	£m	£m
Share based payments	13.9	12.0
Equity-settled performance fee bonuses recognised within salaries, wages and bonuses	2.3	8.8
Amount which is to be settled in cash	(0.3)	1.7
Amounts to be settled with equity of Henderson Group plc	15.9	22.5

## Notes to the financial statements – Group and Company (continued)

### 9. Share-based payments (continued) 9.3 Share options outstanding – SAYE

Share options outstanding under the Henderson Group SAYE are as follows:

	Options no.	2009 Weighted average exercise price £	Options no.	2008 Weighted average exercise price £
At 1 January	4,374,413	0.785	2,973,249	0.980
Granted	4,341,540	0.586	3,538,192	0.771
Exercised (refer to note 25.2)	(839,308)	0.697	(316,273)	0.741
Forfeited	(2,495,857)	0.789	(1,820,755)	1.093
<b>At 31 December</b>	<b>5,380,788</b>	<b>0.636</b>	<b>4,374,413</b>	<b>0.781</b>

The weighted average share price on the date options were exercised during 2009 was £0.95 (2008: £1.30). There were 10,284 options exercisable at 31 December 2009 (2008: nil). The weighted average fair value of options granted during 2009 was £0.22 (2008: £0.30). At 31 December 2009, the weighted average remaining expected and contractual life of outstanding awards was two years (2008: one year, 10 months).

### 9.4 Share options outstanding – CSOP

Share options outstanding under the Henderson Group CSOP are as follows:

	Options no.	2009 Weighted average exercise price £	Options no.	2008 Weighted average exercise price £
At 1 January	355,000	0.960	-	-
Granted	10,889,000	0.726	355,000	0.960
Exercised	(9,248)	0.726	-	-
Forfeited	(926,530)	0.816	-	-
<b>At 31 December</b>	<b>10,308,222</b>	<b>0.726</b>	<b>355,000</b>	<b>0.960</b>

There were no options exercisable at 31 December 2009 (2008: nil). The weighted average fair value of options granted during 2009 was £0.19 (2008: £0.24). At 31 December 2009, the weighted average remaining expected and contractual life of outstanding awards was two years (2008: two years).

### 9.5 Fair values of share-based compensation plans

The fair value amounts for the options granted under the SAYE and CSOP were determined using the Black Scholes option-pricing method, using the following assumptions:

	2007 SAYE	2008 SAYE	2008 CSOP	2009 SAYE	2009 CSOP
Dividend yield	3.5%	6.0%	6.0%	6.0%	6.0%
Expected volatility	45.0%	45.0%	45.0%	45.0%	45.0%
Risk-free interest rate	5.25%	5.0%	5.0%	4.0%	4.0%
Expected life	3 years	3 years	3 years	3 years	3 years
Weighted average share price	£1.520	£0.960	£0.960	£0.726	£0.726
Exercise price	£1.216	£0.768	£0.960	£0.582	£0.726

Expected volatility has been calculated based on the historic volatility for Henderson Group plc over three years.

Other share schemes involve the grant of shares for £nil consideration. The fair value of these schemes is calculated using the share price at grant date, which is set out in the following table. No adjustments have been made for dividends.

## Notes to the financial statements – Group and Company (continued)

### 9. Share-based payments (continued)

#### 9.5 Fair values of share-based compensation plans (continued)

Scheme	Shares granted during 2009 no.	Average share price £
BAYE	1,979,751	0.884
LTIP	16,330,000	0.748
RSP	3,337,350	1.249
DEP	3,215,610	0.775

The fair value calculation for the LTIP includes a statistical assessment of the likelihood of the Henderson Group achieving performance targets set out in the plan. These performance targets are in respect of the Henderson Group TSR over three years and are as follows:

Criteria	Amount vesting 2007 plan
Henderson Group TSR less than the 50th percentile of the FTSE 250 companies	–
Henderson Group TSR at the 50th percentile of the FTSE 250 companies	35%
Henderson Group TSR at or above the 75th percentile of the FTSE 250 companies	100%
	2008 and 2009 plans
Henderson Group TSR less than the 50th percentile of the FTSE 250 companies	–
Henderson Group TSR at the 50th percentile of the FTSE 250 companies	25%
Henderson Group TSR at or above the 75th percentile of the FTSE 250 companies	100%

For a Henderson Group TSR between the 50th and 75th percentiles, the amount vesting will increase on a linear basis.

### 10. Dividends paid and proposed

	2009 £m	2009 pence per share	2008 £m	2008 pence per share
Dividends on ordinary shares declared and paid in the period				
Final dividend in respect of 2H08 (2H07)	33.4	4.25	30.2	4.44
Interim dividend in respect of 1H09 (1H08)	14.5	1.85	12.7	1.85
Total dividends paid and charged to equity	47.9	6.10	42.9	6.29

Dividends proposed on ordinary shares and approved by the shareholders at the Henderson Group plc AGM

Final dividend for 2H09 (2H08)	34.1	4.25	33.4	4.25
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Pursuant to the Income Access Share arrangements, shareholders in Henderson Group plc are able to elect to receive their dividends from a UK source within the Henderson Group. The above table reflects those dividends declared by the Board of Henderson Group plc and paid to those shareholders who have elected to receive their dividends via the Income Access Share arrangements, and thereby paid by a subsidiary of the Group. Shareholders who do not elect to receive their dividends via the Income Access Share arrangements are paid by a company that is not part of the Group. The total of these payments in 2009 was £0.4m (2008: nil).

The Directors of the Company have not declared or paid any dividends in 2009 (2008: £42.9m).

## 11. Segmental information

### Group operating income and net assets

The Group is an investment manager, operating throughout Europe and with operations in North America and Asia. The Group manages a broad range of actively managed investment products for institutional and retail investors, across multiple asset classes, including equities, fixed income, property and private equity. Management operates across product lines, distribution channels, and geographic regions. All investment product types are sold in most, if not all, of these regions, and are managed in various locations.

Information is reported to the chief operating decision maker, the Board of Henderson Group plc, on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board of Henderson Group plc and, on this basis, the Group is also a single segment investment management business.

### Entity-wide disclosures

#### Revenues by product

	2009 £m	2008 £m
UK wholesale	66.6	64.9
Property	30.7	58.3
Institutional and Cash funds	41.7	21.2
Horizon wholesale	38.4	48.0
US wholesale	24.5	33.4
Hedge funds	19.4	34.0
Other	29.0	63.7
	<b>250.3</b>	<b>323.5</b>

### Geographic information

#### Revenues from clients

	2009 £m	2008 £m
UK	214.3	235.2
US	26.0	31.4
Luxembourg	1.2	29.1
Singapore	-	8.3
Other	8.8	19.5
	<b>250.3</b>	<b>323.5</b>

The geographical revenue information is split according to the country in which the revenue is generated, not necessarily where the client is based.

The Group does not have a single client which accounts for more than 10% of revenues.

### Non-current assets

	2009 £m	2008 £m
UK	272.9	262.2
Other	9.6	8.8
	<b>282.5</b>	<b>271.0</b>

Non-current assets for this purpose consist of intangible assets, investments in associates and joint ventures, plant and equipment and deferred acquisition and commission costs.

Notes to the financial statements – Group and Company (continued)

12. Intangible assets

Intangible assets are made up as follows:

2009

	Goodwill £m	Group Computer software £m	Total £m
<b>Cost</b>			
At 1 January	226.4	1.9	228.3
Additions	-	0.5	0.5
<b>At 31 December</b>	<b>226.4</b>	<b>2.4</b>	<b>228.8</b>
<b>Amortisation and impairment losses</b>			
At 1 January	(2.1)	(0.1)	(2.2)
Amortisation charge during the year	-	(0.3)	(0.3)
<b>At 31 December</b>	<b>(2.1)</b>	<b>(0.4)</b>	<b>(2.5)</b>
<b>Carrying value at 31 December</b>	<b>224.3</b>	<b>2.0</b>	<b>226.3</b>

2008

	Goodwill £m	Group Computer software £m	Total £m
<b>Cost</b>			
At 1 January	226.4	-	226.4
Additions	-	1.9	1.9
<b>At 31 December</b>	<b>226.4</b>	<b>1.9</b>	<b>228.3</b>
<b>Amortisation and impairment losses</b>			
At 1 January	(2.1)	-	(2.1)
Amortisation charge during the year	-	(0.1)	(0.1)
<b>At 31 December</b>	<b>(2.1)</b>	<b>(0.1)</b>	<b>(2.2)</b>
<b>Carrying value at 31 December</b>	<b>224.3</b>	<b>1.8</b>	<b>226.1</b>

## Notes to the financial statements – Group and Company (continued)

### 12. Intangible assets (continued)

The Group considers itself to be a single segment investment management business and, therefore, a single cash generating unit to which goodwill can be allocated.

The recoverable amount of goodwill at 31 December 2009 has been determined from a value in use calculation, using the budgets and forecasts approved by the Board and a terminal value for the period thereafter. The key growth assumptions used in the budgets and forecasts include assumptions on market movements, business growth, margins, business investment and inflation. The terminal value has been calculated assuming a long-term growth rate of 2% per annum in perpetuity, based on the Group's view of long-term nominal growth. A discount rate of 10.9% per annum has been applied, being the Henderson Group weighted average cost of capital, calculated using the Capital Asset Pricing Model.

The resultant value in use calculation has been compared with the carrying amount of goodwill to determine if any goodwill impairment arises. The calculation shows significant headroom in the recoverable amount of goodwill.

Recent transaction experience provides additional evidence that the recoverable amount of goodwill is in excess of the carrying amount.

### 13. Investments in subsidiaries, associates and joint ventures

#### 13.1 Principal subsidiaries

##### Group

The principal subsidiaries of the Group, excluding the directly held subsidiaries of the Company shown below, are as follows:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2009	Percentage owned 2008
Henderson Administration Limited	UK	Pounds sterling	100%	100%
Henderson Alternative Investment Advisor Limited	UK	Pounds sterling	100%	100%
Henderson Equity Partners Limited	UK	Pounds sterling	100%	100%
Henderson Fund Management plc	UK	Pounds sterling	100%	100%
Henderson Global Investors (International Holdings) BV	Netherlands and UK	Euros	100%	100%
Henderson Global Investors (Jersey) Limited	Jersey and UK	Pounds sterling	100%	100%
Henderson Global Investors (Jersey) 2 Limited	Jersey and UK	Pounds sterling	100%	100%
Henderson Global Investors Limited	UK	Pounds sterling	100%	100%
Henderson Holdings Limited	UK	Pounds sterling	100%	100%
Henderson International Holdings Limited	Jersey and UK	Pounds sterling	100%	100%
Henderson International Inc.	USA	US dollars	100%	100%
Henderson Investment Funds Limited	UK	Pounds sterling	100%	100%
Henderson Investment Management Limited	UK	Pounds sterling	100%	100%

The information disclosed in the table above is only in respect of those subsidiaries which principally affect the figures shown in the Group's accounts. There are a number of other subsidiaries whose business does not materially affect the Group's profits or the amount of its assets. Particulars of these have been omitted for simplification purposes.

## Notes to the financial statements – Group and Company (continued)

### 13. Investments in subsidiaries, associates and joint ventures (continued)

#### 13.1 Principal subsidiaries (continued)

##### Company

	2009	2008 (Restated)
	£m	£m
At 1 January	874.2	1,921.7
Additional investment in subsidiaries	48.1	-
Impairment of investment in subsidiaries	(50.6)	-
Investments realised on liquidation	-	(1,047.5)
<b>At 31 December</b>	<b>871.7</b>	<b>874.2</b>

The impairment relates to an investment in a subsidiary of the Company that does not have sufficient distributable reserves or forecast future cashflow to support the carrying value of the investment. As a result, the investment has been fully impaired.

The directly held subsidiaries of the Company are as follows:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2009	Percentage owned 2008
Henderson Global Investors (Holdings) plc	UK	Pounds sterling	100%	100%
Henderson Finances	UK	Pounds sterling	100%	100%
Henderson Portfolio Managers Limited	UK	Pounds sterling	100%	100%
UKLS Financial Planning Limited	UK	Pounds sterling	100%	100%
HHG (VH) Limited	UK	Pounds sterling	100%	100%
HGI (Investments) Limited	UK	Pounds sterling	100%	100%

#### 13.2 Associates and joint ventures

##### Group

The Group holds interests in the following associates and joint ventures:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2009	Percentage owned 2008
Attunga Capital Pty Limited	Australia	Australian dollars	30%	30%
Henderson-mfi Shopping Centre GmbH & Co. KG	Germany	Euros	50%	50%
Henderson-mfi Shopping Centre Verwaltungs GmbH	Germany	Euros	50%	50%
HGI Immobilien GmbH	Germany	Euros	50%	50%
Warburg-Henderson Kapitalanlagegesellschaft für Immobilien mbH	Germany	Euros	50%	50%

	2009	2008
	£m	£m
Share of aggregate net assets	5.0	5.5
Share of profit for the year	0.7	2.4

The Group's investments in associates and joint ventures are accounted for under the equity method. The investments are carried at cost adjusted for post-acquisition share of profits and losses and other changes in equity. Distributions received from associates and joint ventures during the year are deducted from the carrying value of the investment.

Notes to the financial statements – Group and Company (continued)

14. Plant and equipment

	Group	
	2009	2008
	£m	£m
<b>Cost</b>		
<b>At 1 January</b>	<b>30.6</b>	41.0
Additions	2.7	21.7
Disposals	<b>(0.4)</b>	(31.6)
Disposal of subsidiary companies	-	(0.5)
<b>At 31 December</b>	<b>32.9</b>	30.6
<b>Depreciation</b>		
<b>At 1 January</b>	<b>(8.1)</b>	(35.3)
Charge during the year	<b>(3.2)</b>	(2.3)
Disposals	<b>0.4</b>	29.1
Disposal of subsidiary companies	-	0.4
<b>At 31 December</b>	<b>(10.9)</b>	(8.1)
<b>Net book value at 31 December</b>	<b>22.0</b>	22.5

Included in cost as at 31 December 2009 were fully depreciated assets amounting to £1.3m (2008: £0.1m).

15. Fair value of financial instruments

Total financial assets and liabilities

	Notes	Group			
		Carrying value		Fair value	
		2009	2008	2009	2008
		£m	(Restated) £m	£m	(Restated) £m
<b>Financial assets</b>					
<i>Current assets:</i>					
<b>Financial assets at fair value through profit or loss</b>					
Shares/units in OEICs/unit trusts		<b>0.6</b>	0.4	<b>0.6</b>	0.4
<b>Other financial assets</b>					
Available-for-sale financial assets		<b>27.3</b>	48.2	<b>27.3</b>	48.2
OEIC and unit trust debtors, loans to and amounts owed from fellow subsidiaries and other debtors	17	<b>256.0</b>	202.7	<b>256.0</b>	202.7
Derivative financial instruments	17	<b>0.2</b>	-	<b>0.2</b>	-
Cash and cash equivalents	18.1	<b>84.5</b>	132.7	<b>84.5</b>	132.7
<b>Total financial assets</b>		<b>368.6</b>	384.0	<b>368.6</b>	384.0
<b>Financial liabilities</b>					
<i>Non-current liabilities:</i>					
Debt instrument in issue	19	<b>181.9</b>	184.5	<b>173.5</b>	126.0
<i>Current liabilities:</i>					
OEIC and unit trust creditors, loans from and amounts owed to fellow subsidiaries and other creditors	24	<b>178.6</b>	133.6	<b>178.6</b>	133.6
Derivative financial instruments	24	<b>1.0</b>	0.6	<b>1.0</b>	0.6
<b>Total financial liabilities</b>		<b>361.5</b>	318.7	<b>353.1</b>	260.2

Notes to the financial statements – Group and Company (continued)

15. Fair value of financial instruments (continued)

	Notes	Company			
		Carrying value		Fair value	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Financial assets</b>					
<i>Current assets:</i>					
Loans to and amounts owed from fellow subsidiaries and other assets	17	376.0	198.4	376.0	198.4
Cash and cash equivalents	18.1	8.9	11.2	8.9	11.2
<b>Total financial assets</b>		<b>384.9</b>	209.6	<b>384.9</b>	209.6
<b>Financial liabilities</b>					
<i>Non-current liabilities:</i>					
Debt instrument in issue	19	181.9	184.5	173.5	126.0
<i>Current liabilities:</i>					
Loans from subsidiaries	23	549.0	422.0	549.0	422.0
Amounts owed to fellow subsidiaries	24	74.1	264.6	74.1	264.6
<b>Total financial liabilities</b>		<b>805.0</b>	871.1	<b>796.6</b>	812.6

The Group enters into forward exchange contracts to hedge various financial assets and liabilities denominated in foreign currency and therefore applies fair value hedge accounting. On 9 December 2008, the interest rate swap held on the Corporate debt was unwound and the cumulative fair value adjustment to the carrying value of the debt up to the date of unwinding is being amortised to the consolidated income statement over the remaining life of the debt, which matures on 2 May 2012. (Refer to note 19).

Debtor and creditor balances, included in the tables above, are mainly balances settling in a short time frame, and accordingly, the fair value of these assets and liabilities is considered to be materially equal to their carrying value after taking into account any likely impairment.

## Notes to the financial statements – Group and Company (continued)

### 15. Fair value of financial instruments (continued)

#### Fair value hierarchy – Group only

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs, which have significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable data.

	Notes	2009 £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>Financial assets</b>					
<i>Current assets:</i>					
<b>Financial assets at fair value through profit or loss</b>					
Shares/units in OEICs/unit trusts		0.6	0.6	-	-
<b>Other financial assets</b>					
Available-for-sale financial assets		27.3	0.9	-	26.4
Derivative financial instruments	17	0.2	0.2	-	-
<b>Total financial assets</b>		<b>28.1</b>	<b>1.7</b>	<b>-</b>	<b>26.4</b>
<b>Financial liabilities</b>					
<i>Current liabilities</i>					
<b>Derivative financial instruments</b>	24	<b>(1.0)</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>		<b>(1.0)</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following is a reconciliation of the Group's financial instruments classified as Level 3 during the year:

	2009 £m
<b>Fair value at 1 January</b>	<b>38.1</b>
Additions	0.2
Fair value movements recognised in the statement of comprehensive income	(4.4)
Impairment recognised in the consolidated income statement	(7.5)
<b>Fair value at 31 December</b>	<b>26.4</b>

As the fair value measurement of the financial instruments included in Level 3, is based on both observable and non-observable inputs, a change in one or more underlying assumptions would not result in a significant change in the fair value.

### 16. Deferred acquisition and commission costs

	Group	
	2009 £m	2008 £m
At 1 January	34.6	31.8
Foreign exchange movement	(0.4)	2.3
Costs and commissions capitalised	42.6	24.3
Amortisation charge during the year	(22.8)	(23.5)
Disposal of subsidiary companies	-	(0.3)
<b>At 31 December</b>	<b>54.0</b>	<b>34.6</b>
Non-current	29.1	16.9
Current	24.9	17.7
<b>At 31 December</b>	<b>54.0</b>	<b>34.6</b>

Notes to the financial statements – Group and Company (continued)

17. Trade and other receivables

	Group		Company	
	2009 £m	2008 (Restated) £m	2009 £m	2008 (Restated) £m
Amounts owed by fellow subsidiaries	17.1	10.9	237.3	198.4
Loans to fellow subsidiaries	183.2	131.0	128.4	-
OEIC and unit trust debtors	24.9	52.6	-	-
Derivative financial instruments	0.2	-	-	-
Accrued income	37.8	41.0	0.2	0.5
Other debtors	30.8	8.2	10.3	-
Prepayments	3.6	3.8	-	-
	<b>297.6</b>	247.5	<b>376.2</b>	198.9

The loans to fellow subsidiaries are either interest free or attract annual interest at a rate linked to sterling LIBOR and are repayable on demand.

18. Cash and cash equivalents

18.1 Cash and cash equivalents

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash at bank and in hand	14.7	42.7	-	0.1
Cash equivalents	69.8	90.0	8.9	11.1
<b>Cash and cash equivalents</b>	<b>84.5</b>	132.7	<b>8.9</b>	11.2

Cash and cash equivalents consist of cash in hand, cash at bank and short-term investments with financial institutions with original maturity periods of three months or less.

Included within cash and cash equivalents as at 31 December 2009 was £4.7m (2008: £5.3m) held in escrow, representing amounts held for the Pension Scheme £4.7m (2008: £4.7m). The £0.6m held in escrow at 31 December 2008 in respect of the outstanding obligations of Towry law International has been released following an agreement with the Hong Kong Securities and Futures Commission.

18.2 Changes in operating assets and liabilities

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 (Restated) £m
Change in OEICs and unit trusts debtors and creditors	(5.3)	(19.3)	-	-
Increase in deferred acquisition and commission costs	42.6	(24.4)	-	-
Decrease in other assets	78.4	(34.1)	(39.1)	4.5
Increase in deferred income	(45.5)	23.7	-	-
Increase in provisions and other liabilities	(80.1)	3.0	(21.0)	75.5
<b>Changes in operating assets and liabilities</b>	<b>(9.9)</b>	(51.1)	<b>(60.1)</b>	80.0

Notes to the financial statements – Group and Company (continued)

19. Debt instrument in issue

	Group & Company	
	2009	2008
	£m	£m
Debt instrument in issue	181.9	184.5

The debt instrument in issue represents £175m senior, unrated, fixed rate notes listed on the London Stock Exchange. The debt instrument is unsecured, repayable in full on 2 May 2012 and bears interest at a fixed rate of 6.5% per annum payable every six months.

The Group swapped the fixed interest coupon into a floating rate on issue of the debt. The swap was unwound on 9 December 2008 and realised a profit of £1.5m before tax, recognised as a non-recurring item in the consolidated income statement. The fair value adjustment to the debt carrying value, attributable to the hedged interest rate risk up to the date of unwinding the swap, £10.5m, is being amortised over the remaining term of the debt.

The fair value of the debt instrument at the balance sheet date was £173.5m (2008: £126.0m).

20. Retirement benefits

Retirement benefit assets recognised in the statement of financial position

	Note	Group		Company	
		2009	2008	2009	2008
		£m	£m	£m	£m
Henderson Group Pension Scheme	20.1	90.0	152.5	90.0	152.5

Retirement benefit obligations recognised in the statement of financial position

	Note	Group		Company	
		2009	2008	2009	2008
		£m	£m	£m	£m
Henderson Group unapproved pension schemes	20.2	6.1	4.7	-	-

Pension service cost/(credit) recognised in the income statement

	Notes	Group		Company	
		2009	2008	2009	2008
		£m	£m	£m	£m
Henderson Group Pension Scheme	20.1	(0.7)	(0.8)	(0.7)	(0.8)
Money Purchase Scheme		4.7	4.5	-	-
Henderson Group unapproved pension schemes	20.2	0.4	0.6	-	-
<b>Pension service cost/(credit) recognised in the income statement</b>		<b>4.4</b>	<b>4.3</b>	<b>(0.7)</b>	<b>(0.8)</b>

Amounts recognised in the statement of comprehensive income (SOI)

	Notes	Group		Company	
		2009	2008	2009	2008
		£m	£m	£m	£m
Henderson Group Pension Scheme	20.1	(68.5)	63.9	(68.5)	63.9
Henderson Group unapproved pension schemes	20.2	(1.2)	1.1	-	-
<b>Actuarial (losses)/gains recognised in the SOI</b>		<b>(69.7)</b>	<b>65.0</b>	<b>(68.5)</b>	<b>63.9</b>

## Notes to the financial statements – Group and Company (continued)

### 20. Retirement benefits (continued)

#### 20.1 Henderson Group Pension Scheme – Final Salary Scheme Group and Company

The Final Salary Scheme represents the defined benefit section of the Pension Scheme, which closed to new members on 15 November 1999. The sponsor and principal employer of the Pension Scheme is the Company and the participating company is Henderson Administration Limited. The appointed investment manager for the final salary scheme is Henderson Global Investors Limited. The Final Salary Scheme is funded by contributions to a separately administered fund. The actuarial advisers to the Pension Scheme are Towers Watson.

The 2009 Pension Scheme accounting valuation under IAS 19 Employee Benefits, is based on full membership data as at 31 December 2008 and adjusted for movements in membership data during 2009. The financial assumptions as disclosed below are set in accordance with IAS 19 and, with the exception of the mortality assumption, the demographic assumptions are the same as those used for the Pension Scheme's IAS 19 valuation as at 31 December 2008. The post-retirement mortality assumption as at 31 December 2009 is based on 100% of the SAPS 'S1 Light' tables and improvements from 2002 in line with the medium cohort projections with a 1% per annum underpin. The Pension Scheme assets are stated at their fair value at 31 December 2009 and 31 December 2008. The Group has reached agreement with the Pension Scheme trustee regarding the results of the 2008 triennial valuation. The agreed results show that there was a small surplus in the Scheme as at 31 December 2008. As a result no deficit funding contributions are required to be made or have been made by the Group.

#### Reconciliation of present value of defined benefit obligations

	2009	2008
	£m	£m
At 1 January	251.9	282.4
Current service cost	2.7	3.6
Interest cost	16.0	16.3
Past service cost	-	0.1
Actuarial losses/(gains)	50.0	(43.3)
Actual benefit payments	(7.8)	(7.2)
<b>At 31 December</b>	<b>312.8</b>	<b>251.9</b>

#### Reconciliation of the fair value of defined benefit scheme assets

	2009	2008
	£m	£m
At 1 January	404.4	344.7
Expected return on scheme assets	19.4	20.8
Actuarial (losses)/gains	(18.5)	20.6
Group contributions	5.3	25.5
Actual benefit payments	(7.8)	(7.2)
<b>At 31 December</b>	<b>402.8</b>	<b>404.4</b>

#### Reconciliation of defined benefit asset recognised in the consolidated statement of financial position

	2009	2008
	£m	£m
Present value of defined benefit obligations	(312.8)	(251.9)
Fair value of scheme assets	402.8	404.4
<b>Net asset at 31 December</b>	<b>90.0</b>	<b>152.5</b>

Notes to the financial statements – Group and Company (continued)

20. Retirement benefits (continued)

20.1 Henderson Group Pension Scheme – Final Salary Scheme (continued)

Pension service credit recognised in the consolidated income statement

	2009	2008
	£m	£m
Current service cost	2.7	3.6
Interest cost	16.0	16.3
Expected return on scheme assets	(19.4)	(20.8)
Past service cost	-	0.1
	<b>(0.7)</b>	<b>(0.8)</b>

Amounts recognised in the consolidated statement of comprehensive income

	2009	2008
	£m	£m
At 1 January	76.1	12.2
Actuarial (losses)/gains recognised in the SOCI	(68.5)	63.9
<b>At 31 December</b>	<b>7.6</b>	<b>76.1</b>

Movements in net asset recognised in the consolidated statement of financial position

	2009	2008
	£m	£m
At 1 January	152.5	62.3
Pension service credit recognised in the consolidated income statement	0.7	0.8
Contributions	5.3	25.5
Actuarial (losses)/gains recognised in the consolidated statement of comprehensive income	(68.5)	63.9
<b>Net asset at 31 December</b>	<b>90.0</b>	<b>152.5</b>

Pension Scheme assets

The major categories of assets in the final salary section of the Pension Scheme, were as follows:

Fair value of the defined benefit assets

	Market value		% as a total of assets		Expected rate of return	
	2009	2008	2009	2008	2009	2008
	£m	£m	%	%	%	%
<b>Final salary section</b>						
Equities	133.3	98.6	33	25	7.9	7.3
Corporate bonds	33.4	40.5	8	10	5.3	5.0
Other return seeking assets	14.4	8.5	4	2	6.8	6.0
Government bonds	183.9	194.5	46	48	4.4	3.8
Swaps	13.8	30.2	3	7	4.4	3.8
Cash	24.0	32.1	6	8	4.4	3.8
<b>Total</b>	<b>402.8</b>	<b>404.4</b>	<b>100</b>	<b>100</b>	<b>5.7</b>	<b>4.5</b>

The Pension Scheme does not hold any investments in employer-related companies.

The expected return on assets assumption is the weighted average of the expected returns from each of the main asset classes as shown above. The expected rate of return on assets is based on long-term expectations as at 31 December 2009. The expected rate of return on bonds has been set by reference to current market redemption yields. The rates of return for the equities, property and cash asset classes have been based on the Group's realistic expectations of investment returns over the longer term.

Notes to the financial statements – Group and Company (continued)

20. Retirement benefits (continued)

20.1 Henderson Group Pension Scheme – Final Salary Scheme (continued)

Actual return on defined benefit assets

	2009	2008
	£m	£m
Actual return on scheme assets	0.9	41.4

Principal actuarial assumptions

(a) Financial assumptions

	2009	2008
	% per annum	% per annum
Discount rate	5.6	6.4
Expected rate of return on scheme assets	5.7	4.5
Salary increases	2.5	2.5
Pension increases:		
- where guarantee is the Retail Price Index capped at 5% per annum	3.6	3.0
- where guarantee is the Retail Price Index capped at 2.5% per annum	2.4	2.2
- where guarantee is fixed	At fixed rate	At fixed rate
Inflation	3.7	3.0

(b) Demographic assumptions

The post-retirement mortality assumptions as at 31 December 2009 follows 100% of the SAPS 'S1 Light' tables and improvements from 2002 in line with the 'medium cohort' projections with an underpin of 1% per annum. The table below illustrates the changes in implied life expectancies as at 31 December 2009 using this mortality assumption. All other demographic assumptions were consistent with those used for the accounting disclosures at 31 December 2008:

	Male	Female
	no. of years	no. of years
Life expectancy for a member who is currently 60	27.8	29.3
Life expectancy at 60 for a member who is currently 45	29.2	30.8

(c) Historical amounts

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Defined benefit obligations	(312.8)	(251.9)	(282.4)	(311.8)	(296.2)
Defined benefit scheme assets	402.8	404.4	344.7	306.8	256.1
Surplus/(deficit) in the Pension Scheme	90.0	152.5	62.3	(5.0)	(40.1)
Experience gains/(losses) on scheme liabilities	12.1	(1.2)	(0.5)	8.5	(31.6)
Experience (losses)/gains on scheme assets	(18.5)	20.6	1.2	(3.7)	18.9

## Notes to the financial statements – Group and Company (continued)

### 20. Retirement benefits (continued)

#### 20.2 Henderson Group unapproved pension schemes

##### Group

The Group operates a number of unapproved pension schemes, the details of which are provided below:

*The Pearl Executive Scheme.* Members of this scheme are also members of the Pension Scheme. However, pensionable earnings under the Pension Scheme are limited to 1/60th for each year of service and the earnings cap. The Pearl Executive Scheme provides benefits at 1/30th for each year of service with a maximum of two thirds of salary after 20 years' service based on pensionable earnings above the earnings cap, on an unfunded basis.

*The Henderson Top Up Scheme.* Members of this scheme are also members of the Pension Scheme. However, pensionable earnings under the Pension Scheme are limited to the earnings cap, and the Henderson Top Up Scheme enables benefits to be based on pensionable earnings without restriction of the earnings cap. These additional uncapped benefits are generally provided for on an unfunded basis.

There is also an unfunded liability in respect of one member, to whom the Group has made a contractual promise to pay a fixed pension from age 60.

##### Reconciliation of present value of defined benefit obligations

	2009	2008
	£m	£m
At 1 January	4.7	5.2
Current service cost	0.1	0.3
Interest cost	0.3	0.3
Actuarial losses/(gains)	1.2	(1.1)
Benefit payments	(0.2)	-
<b>At 31 December</b>	<b>6.1</b>	<b>4.7</b>

##### The defined benefit obligations at 31 December are split as follows:

	2009	2008
	£m	£m
Pearl Executive Scheme	5.0	3.7
Henderson Top Up Scheme	0.9	0.8
Individual contractual promise	0.2	0.2
<b>Total</b>	<b>6.1</b>	<b>4.7</b>

##### Reconciliation of defined benefit liability recognised in the consolidated statement of financial position

	2009	2008
	£m	£m
Present value of defined benefit obligations	6.1	4.7
Fair value of defined benefit scheme assets	-	-
<b>At 31 December</b>	<b>6.1</b>	<b>4.7</b>

Notes to the financial statements – Group and Company (continued)

20. Retirement benefits (continued)

20.2 Henderson Group unapproved pension schemes (continued)

**Pension service cost recognised in the consolidated income statement**

	2009	2008
	£m	£m
Current service cost	0.1	0.3
Interest cost	0.3	0.3
	<b>0.4</b>	0.6

**Amounts recognised in the consolidated statement of comprehensive income**

	2009	2008
	£m	£m
At 1 January	3.0	1.9
Actuarial gains	(1.2)	1.1
<b>At 31 December</b>	<b>1.8</b>	3.0

**Movements in net liability recognised in the consolidated statement of financial position**

	2009	2008
	£m	£m
At 1 January	4.7	5.2
Expense recognised in the consolidated income statement	0.4	0.6
Actuarial losses/(gains) recognised in the consolidated statement of comprehensive income	1.2	(1.1)
Benefit payments from outside scheme assets	(0.2)	-
<b>At 31 December</b>	<b>6.1</b>	4.7

**Principal actuarial assumptions**

**(a) Financial assumptions**

	2009	2008
	% per annum	% per annum
Discount rate	5.6	6.4
Expected rate of return on scheme assets	-	-
Salary increases	n/a	4.5
Pension increases:		
- where guarantee is the Retail Price Index	3.6	3.0
- where guarantee is fixed	<b>At fixed rate</b>	At fixed rate
Inflation	3.7	3.0

**(b) Demographic assumptions**

The post-retirement mortality assumption as at 31 December 2009 follows 100% of the SAPS 'S1 Light' tables and improvements from 2002 in line with the 'medium cohort' projections with an underpin of 1% per annum. The table below illustrates the changes in implied life expectancies as at 31 December 2009 using this mortality assumption. All other demographic assumptions were consistent with those used for the accounting disclosures at 31 December 2008:

	Male	Female
	no. of years	no. of years
Life expectancy for a member who is currently 60	27.8	29.3
Life expectancy at 60 for a member who is currently 45	29.2	30.8

## Notes to the financial statements – Group and Company (continued)

### 20. Retirement benefits (continued)

#### 20.2 Henderson Group unapproved pension schemes (continued)

##### (c) Historical amounts

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Defined benefit obligations	6.1	4.7	5.2	5.5	5.7
Defined benefit scheme assets	–	–	–	(0.1)	(0.2)
Deficit in the pension schemes	6.1	4.7	5.2	5.4	5.5
Experience (losses)/gains on scheme liabilities	–	(0.1)	0.2	0.5	1.5

##### Employer contributions

The Group does not expect to contribute to the unapproved pension arrangements in the year ending 31 December 2010.

### 21. Provisions

#### Group

	Staff related £m	Product mis-selling £m	Idle cash £m	Other £m	Total £m
At 1 January 2009	3.7	6.3	8.2	9.6	27.8
Additions	-	-	-	9.7	9.7
Provisions utilised	(0.6)	-	-	(0.5)	(1.1)
Provisions released	-	-	(0.2)	(1.8)	(2.0)
Foreign exchange movements	(0.4)	-	-	-	(0.4)
<b>At 31 December 2009</b>	<b>2.7</b>	<b>6.3</b>	<b>8.0</b>	<b>17.0</b>	<b>34.0</b>
Non-current	-	5.8	8.0	7.1	20.9
Current	2.7	0.5	-	9.9	13.1
<b>At 31 December 2009</b>	<b>2.7</b>	<b>6.3</b>	<b>8.0</b>	<b>17.0</b>	<b>34.0</b>

#### Company

	Product mis-selling £m	Total £m
At 1 January 2009	6.3	6.3
Additions	-	-
Provisions utilised	-	-
<b>At 31 December 2009</b>	<b>6.3</b>	<b>6.3</b>
Non-current	5.8	5.8
Current	0.5	0.5
	<b>6.3</b>	<b>6.3</b>

##### Staff related

Staff-related provisions have been recognised in respect of a business restructure.

##### Product mis-selling

Product mis-selling provisions relate to alleged inappropriate advice given to certain investors by Towry Law International prior to the Group's ownership.

##### Idle cash

Idle cash provisions are obligations in relation to the disposal of Cogent Investment Operations Limited by the Group in 2002.

##### Other

Other provisions relate to issues which have arisen as a result of litigation and obligations during the course of the Group's and Company's business activities.

The provisions reflect the current estimates of amounts and timings.

Notes to the financial statements – Group and Company (continued)

**22. Deferred taxation**

Deferred tax assets and liabilities recognised by the Group and movements therein are as follows:

**Group**

Deferred tax assets/(liabilities)	Accelerated capital allowances £m	Share based payments £m	Retirement benefits £m	Other temporary differences £m	Total £m
<b>At 1 January 2008</b>	0.8	2.8	(10.7)	(1.8)	(8.9)
Current year (charge) to the consolidated income statement	(0.7)	(2.1)	(9.8)	(1.9)	(14.5)
Current year (charge)/credit to the consolidated statement of comprehensive income	-	-	(18.2)	2.3	(15.9)
<b>At 31 December 2008</b>	0.1	0.7	(38.7)	(1.4)	(39.3)
Current year (charge)/credit to the consolidated income statement	1.4	(5.3)	(4.1)	5.4	(2.6)
Current year (charge)/credit to the consolidated statement of comprehensive income	-	-	19.4	(0.6)	18.8
<b>At 31 December 2009</b>	<b>1.5</b>	<b>(4.6)</b>	<b>(23.4)</b>	<b>3.4</b>	<b>(23.1)</b>

Certain deferred tax assets and liabilities in the above summary have been offset as follows:

	Assets £m	Liabilities £m	Total £m
At 31 December 2008	5.4	(44.7)	(39.3)
<b>At 31 December 2009</b>	<b>7.0</b>	<b>(30.1)</b>	<b>(23.1)</b>

At the balance sheet date, the Group had unused tax losses in respect of which no deferred tax has been recognised as utilisation of the losses is dependent on future profits. The unrecognised deferred tax asset in respect of trading losses carried forward is £23.8m (2008: £9.4m). The unrecognised deferred tax asset in respect of capital losses carried forward is £16.1m (2008: £2.7m). The losses have no expiry date.

Consistent with prior years, deferred tax is not recognised in respect of taxable temporary differences associated with the Group's investments in overseas subsidiaries, branches, associates and joint ventures where the Group controls the timing of the reversal of the temporary differences and where the reversal of the temporary differences is not anticipated in the foreseeable future.

Notes to the financial statements – Group and Company (continued)

22. Deferred taxation (continued)

Company

Deferred tax (liabilities)	Retirement benefits £m
<b>At 1 January 2008</b>	(16.7)
Current year credit to the income statement	9.4
Current year (charge) to the statement of comprehensive income	(17.9)
<b>At 31 December 2008</b>	(25.2)
Current year charge to the income statement	-
Current year credit to the statement of comprehensive income	19.2
<b>At 31 December 2009</b>	<b>(6.0)</b>

23. Borrowings

	Company	
	2009 £m	2008 £m
Loans from subsidiaries	549.0	422.0

The loans from subsidiaries are either interest free or attract annual interest at a linked to LIBOR and are repayable on demand.

24. Trade and other payables

	Group		Company	
	2009 £m	2008 (Restated) £m	2009 £m	2008 (Restated) £m
OEIC and unit trust creditors	30.8	53.2	-	-
Derivative financial instruments	1.0	0.6	-	-
Other creditors	9.3	6.3	-	-
Accruals	105.7	102.9	3.5	4.4
Amounts owed to fellow subsidiaries	111.7	74.1	339.2	264.6
Loans from fellow subsidiaries	26.8	-	-	-
	<b>285.3</b>	237.1	<b>342.7</b>	269.0

Notes to the financial statements – Group and Company (continued)

**25. Share capital**

**25.1 Share capital authorised**

	Group and Company	
	2009	2008
	£m	£m
1 A ordinary share of 12.5 pence	-	-
1,949,910,776 ordinary shares of 12.5 pence each	<b>243.7</b>	243.7

**25.2 Allotted share capital**

Allotted, called up and fully paid shares:

	Group and Company	
	no.	£m
<b>A Ordinary shares</b>		
Shares in issue at 31 December 2008 and 31 December 2009	1	-
<b>Ordinary shares</b>		
Shares in issue at 1 January 2008	724,504,573	90.6
Issue of shares for SAYE	316,273	-
Issue of shares for BAYE	372,123	-
Shares in issue at 31 December 2008 and 31 December 2009	725,192,969	90.6

All of the ordinary shares in issue carry the same right to receive dividends and other distributions declared, made or paid by the Company.

On 20 October 2008, one 12.5 pence A ordinary share was issued to new Henderson Group plc in order to maintain continuity of ownership of the Company during the implementation of the Scheme. The A ordinary share does not entitle the holder to receive notice of, attend or vote at any general meeting of the Company.

On 31 October 2008, the Scheme effective date, the shares of the Company were cancelled by way of a reduction of capital. The shareholders of the Company on the same date were issued shares in new Henderson Group plc on a one for one basis in consideration for the cancellation of their shares in the Company. New ordinary shares in the Company were then issued to new Henderson Group plc, which then became the ultimate holding company of the Henderson Group.

Pursuant to the Scheme, the shareholding of the Company, including the A ordinary share, was transferred from Henderson Group plc to Henderson Holdings Group Limited.

The Directors consider shareholders' equity to represent Group capital. The Directors manage the Group's capital structure on an ongoing basis. Changes to the Group's capital structure can be affected by adjusting the dividend policy, returning capital to shareholders or issuing new shares and other forms of capital.

## Notes to the financial statements – Group and Company (continued)

### 26. Reserves

#### Group and Company

##### Nature and purpose of reserves

The consolidated statement of changes in equity and Company statement of changes in equity on pages 13 and 17, respectively, provide details of movements in equity for the Group and Company.

##### Share premium

Share premium records the difference between the nominal value of shares issued and the full value of the consideration received.

##### Translation reserve

The translation reserve comprises differences on exchange arising from the translation of opening statements of financial position of subsidiaries, whose reporting currency is not GBP, and differences between the results of these subsidiaries translated at average rates for the reporting period and period end rates.

The translation reserve also includes unrealised foreign exchange gains and losses on available-for-sale financial assets which are not part of a designated hedge relationship. Upon disposal or impairment of these assets, amounts previously recognised in the translation reserve are reversed out and the cumulative amount of the gain or loss or impairment is recognised in the consolidated income statement.

##### Revaluation reserve

The revaluation reserve comprises the amount of any unrealised gain or loss recognised in the consolidated statement of comprehensive income in relation to the revaluation of available-for-sale financial assets.

Upon disposal or impairment of these assets, amounts previously recognised in the revaluation reserve are reversed out and the cumulative amount of the gain or loss or impairment is recognised.

### 27. Minority interests

The Group has consolidated the following company which has minority interests:

	<b>2009</b>	2008	<b>2009</b>	2008
	<b>% minority interest</b>	% minority interest	<b>£m</b>	£m
HGI Immobilien Austria GmbH	<b>35%</b>	35%	<b>0.4</b>	0.3
At 31 December			<b>0.4</b>	0.3

## 28. Financial risk management

### Financial risk management objectives and policies

Financial assets principally comprise investments in equity securities, short-term investments, trade and other receivables, and cash and cash equivalents. Financial liabilities comprise borrowings for financing purposes, certain provisions and trade and other payables. The main risks arising from financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. Each of these risks are discussed in detail below. The Group monitors financial risks on a consolidated basis and intra-Group balances are settled when it is deemed appropriate for both parties to the transaction.

The Company is not exposed to material financial risk as all material financial assets and liabilities on its balance sheet, with the exception of the debt instrument in issue, relate to transactions with its subsidiaries or with fellow subsidiaries of its ultimate parent. The Company believes that balances arising from these transactions carry no material risk. With regards to the debt instrument in issue, the liquidity and interest rate risks are shown within the Group disclosures below. As a result separate disclosures for the Company have been excluded.

The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

### 28.1 Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group.

The Group is exposed to price risk in respect of seed capital investments in Henderson Funds (available-for-sale financial assets). Seed capital investments vary in duration, depending on the nature of the investment, with a typical range of less than one year for Listed Asset products and between three and five years for Private Equity and Property funds. The total market value of seed capital investments at 31 December 2009 was £27.3m (2008: £48.2m).

Management monitors exposures to price risk on an ongoing basis. Movements in significant investment values are monitored on a daily basis. Occasionally, management will consider hedging price risk, but there were no such hedges in place at 31 December 2009 (31 December 2008: nil).

A fall in the value of an investment which is significant or prolonged is considered to be an indication of impairment under IAS 39. In such an event, the investment is written down to fair value and the amounts previously recognised in equity, in respect of market value and unhedged foreign exchange movements on the investment, are recognised in the consolidated income statement as an impairment charge.

#### Price risk sensitivity analysis on available-for-sale financial assets

	2009		2008	
	Consolidated income statement £m	Equity £m	Consolidated income statement £m	Equity £m
<b>Price risk sensitivities</b>				
Market value movement +/- 10%	-	2.7	-	4.8

## Notes to the financial statements – Group and Company (continued)

### 28. Financial risk management (continued)

#### 28.2 Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets and liabilities. The Group is exposed to interest rates on banking deposits held in the ordinary course of business. Available-for-sale financial assets and debt instruments in issue are not currently exposed to interest rate risk. This exposure is monitored by management on a continuing basis.

#### Financial assets and liabilities exposed to interest rate risk

At 31 December 2009

	Not directly exposed to interest rate risk			Total £m
	Floating rate £m	Fixed Rate £m	Other £m	
<b>Financial assets</b>				
Shares/units in OEICs/unit trusts	-	-	0.6	0.6
Available-for-sale financial assets	-	-	27.3	27.3
OEIC, unit trust and other debtors	-	-	256.0	256.0
Derivative financial instruments	-	-	0.2	0.2
Cash and cash equivalents	84.5	-	-	84.5
<b>Total financial assets</b>	<b>84.5</b>	<b>-</b>	<b>284.1</b>	<b>368.6</b>
<b>Financial liabilities</b>				
Debt instrument in issue	-	181.9	-	181.9
OEIC, unit trust and other creditors	-	-	178.6	178.6
Derivative financial instruments	-	-	1.0	1.0
<b>Total financial liabilities</b>	<b>-</b>	<b>181.9</b>	<b>179.6</b>	<b>361.5</b>

At 31 December 2008

	Not directly exposed to interest rate risk			Total £m
	Floating rate £m	Fixed rate £m	Other £m	
<b>Financial assets</b>				
Shares/units in OEICs/unit trusts	-	-	0.4	0.4
Available-for-sale financial assets	-	-	48.2	48.2
OEIC, unit trust and other debtors	125.8	-	76.9	202.7
Cash and cash equivalents	132.7	-	-	132.7
<b>Total financial assets</b>	<b>258.5</b>	<b>-</b>	<b>125.5</b>	<b>384.0</b>
<b>Financial liabilities</b>				
Debt instrument in issue	-	184.5	-	184.5
OEIC, unit trust and other creditors	-	-	133.6	133.6
Derivative financial instruments	-	-	0.6	0.6
<b>Total financial liabilities</b>	<b>-</b>	<b>184.5</b>	<b>134.2</b>	<b>318.7</b>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

#### *Interest rate risk sensitivity analysis*

Interest rate risk sensitivity analysis on the consolidated income statement has been performed on the basis of a 50bps fall in interest rates at the beginning of the year. The impact of such a decrease would reduce anticipated earnings by circa £0.4m per annum.

## Notes to the financial statements – Group and Company (continued)

### 28. Financial risk management (continued)

#### 28.3 Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due.

Group liquidity is managed on a daily basis by the finance function, to ensure that the Group always has sufficient cash and/or highly liquid assets available to meet its liabilities. This function also controls and monitors the use of the Group's non-operating capital resources. It is the Group's policy to ensure that it has access to funds to cover all forecast commitments for the next 12 months.

The maturity dates of the Group's financial liabilities are as follows:

At 31 December 2009

	Within 1 year or repayable on demand	Within 2-5 years	Total	Carrying value in the balance sheet
	£m	£m	£m	£m
Debt instrument in issue (including interest)	11.4	192.0	203.4	181.9
OEIC, unit trust and other creditors	178.6	-	178.6	178.6
Derivative financial instruments	1.0	-	1.0	1.0
	191.0	192.0	383.0	361.5

At 31 December 2008

	Within 1 year or repayable on demand	Within 2-5 years	Total	Carrying value in the balance sheet
	£m	£m	£m	£m
Debt instrument in issue (including interest)	11.4	203.4	214.8	184.5
OEIC, unit trust and other creditors	133.6	-	133.6	133.6
Derivative financial instruments	0.6	-	0.6	0.6
	145.6	203.4	349.0	318.7

#### 28.4 Foreign currency risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates.

The Group's business is impacted through its exposure to non-GBP income and expenses, and assets and liabilities of its overseas subsidiaries as well as assets and liabilities denominated in currency other than GBP. The currency exposure is managed by closely monitoring foreign currency positions. The Group also uses foreign currency contracts to eliminate currency exposure on certain individual transactions. The Group also seeks to use natural hedges to limit exposure. Where there is a mismatch on material currency flows, which are reasonably certain, they are actively hedged. Where there is insufficient certainty the currency is translated into GBP on receipt. In addition, the Group carries a small foreign exchange position as principal to facilitate the smooth conduct of its client business.

Foreign currency risk management is overseen by the Hedge Committee and hedge effectiveness is reported quarterly to the Henderson Group plc Board.

A rolling programme of forward currency contracts has been implemented to hedge the currency exposures arising from certain available-for-sale financial assets, with year end notional values of US\$25.8m and €12.5m (2008: US\$32.0m) (refer to note 28.6).

##### *Foreign currency risk sensitivity analysis*

Significant financial instruments are either denominated in pounds sterling or hedged back to pounds sterling using foreign currency forward contracts. However, there remain some foreign currency balances which are not fully hedged since, individually, they are below the policy level for implementing hedging arrangements. In addition, there are unhedged foreign currency cash balances in overseas subsidiaries of the Group.

## Notes to the financial statements – Group and Company (continued)

### 28. Financial risk management (continued)

#### 28.4 Foreign currency risk (continued)

The table below illustrates the impact of adjusting year end exchange rates on all unhedged financial assets and cash balances denominated in a currency other than pounds sterling:

##### Currency sensitivities

	2009		2008	
	Consolidated income statement £m	Equity £m	Consolidated income statement £m	Equity £m
Euro exchange rate +/- 10%	0.1	-	0.1	1.5
US dollar exchange +/- 10%	-	0.1	0.2	0.1
Australian dollar exchange +/- 10%	-	-	-	0.1

#### 28.5 Credit risk

Credit risk is the risk of a counterparty of the Group defaulting on funds deposited with it or on a trade debt.

The Group has an established credit policy, to ensure that it only transacts with counterparties that are able to meet satisfactory rating requirements. Counterparty limits are reviewed and set centrally by the Credit Risk Committee. Management is responsible for ensuring that it remains within these limits and the risk management function monitors and reports any exceptions to policy. The Group has not suffered any losses as a result of trade debtor defaults during the year.

The risk management function is also responsible for reporting credit exposures to the Henderson Group plc audit committee on a quarterly basis and for ensuring that any credit concerns are raised and actions taken to mitigate risks.

The table below contains an analysis of current and overdue financial assets:

At 31 December 2009

	Not past due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Greater than 12 months past due £m	Total £m
<b>Financial assets</b>						
Shares/units in OEICs/unit trusts	0.6	-	-	-	-	0.6
Available-for-sale financial assets	27.3	-	-	-	-	27.3
OEIC, unit trust and other debtors	252.9	2.6	0.2	0.1	0.2	256.0
Derivative financial instruments	0.2	-	-	-	-	0.2
Cash and cash equivalents	84.5	-	-	-	-	84.5
<b>Total financial assets</b>	<b>365.5</b>	<b>2.6</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>368.6</b>

At 31 December 2008

	Not past due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Greater than 12 months past due £m	Total £m
<b>Financial assets</b>						
Shares/units in OEICs/unit trusts	0.4	-	-	-	-	0.4
Available-for-sale financial assets	48.2	-	-	-	-	48.2
OEIC, unit trust and other debtors	200.4	1.3	0.6	0.3	0.1	202.7
Cash and cash equivalents	132.7	-	-	-	-	132.7
<b>Total financial assets</b>	<b>381.7</b>	<b>1.3</b>	<b>0.6</b>	<b>0.3</b>	<b>0.1</b>	<b>384.0</b>

## Notes to the financial statements – Group and Company (continued)

### 28. Financial risk management (continued)

#### 28.5 Credit risk (continued)

The table below contains an analysis of financial assets as rated by Moody's Investors Service:

At 31 December 2009

	AAA £m	AA £m	A £m	BBB £m	Not rated £m	Total £m
<b>Financial assets</b>						
Shares/units in OEICs/unit trusts	-	-	-	-	0.6	0.6
Available-for-sale financial assets	-	-	-	-	27.3	27.3
OEIC, unit trust and other debtors	-	-	-	-	256.0	256.0
Derivative financial instruments	-	0.2	-	-	-	0.2
Cash and cash equivalents	69.9	7.0	7.6	-	-	84.5
<b>Total financial assets</b>	<b>69.9</b>	<b>7.2</b>	<b>7.6</b>	<b>-</b>	<b>283.9</b>	<b>368.6</b>

At 31 December 2008

	AAA £m	AA £m	A £m	BBB £m	Not rated £m	Total £m
<b>Financial assets</b>						
Shares/units in OEICs/unit trusts	-	-	-	-	0.4	0.4
Available-for-sale financial assets	-	-	-	-	48.2	48.2
OEIC, unit trust and other debtors	-	-	-	-	202.7	202.7
Cash and cash equivalents	109.0	23.6	0.1	-	-	132.7
<b>Total financial assets</b>	<b>109.0</b>	<b>23.6</b>	<b>0.1</b>	<b>-</b>	<b>251.3</b>	<b>384.0</b>

#### 28.6 Hedging activities

At 31 December 2009, the Group held three forward exchange contracts to hedge the foreign currency risk arising from investments denominated in Euro and US dollar (refer to note 28.4).

These forward exchange contracts have been assessed as effective fair value hedges. A net unrealised gain arising on these instruments of £0.3m (2008: loss £24.2m) has been offset in the consolidated income statement by £0.3m (2008: £24.3m), being the portion of the unrealised foreign exchange loss on available-for-sale investments in designated hedging relationships (refer to note 28.4).

	2009			2008		
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
<b>Fair value hedges</b>						
Forward exchange contracts at fair value	<b>39.9</b>	<b>(0.2)</b>	<b>1.0</b>	21.6	-	0.6

## Notes to the financial statements – Group and Company (continued)

### 29. Leases

#### Operating lease

The Group was party to an operating lease which was surrendered on 28 November 2008. A new 20.5 year operating lease was entered into during 2008 which provides for reviews to open market rent on every fifth anniversary of the lease and an initial rent-free period of 30 months. The rental expense on this lease will be recognised on a straight-line basis over the lease period.

The future minimum lease payments under non-cancellable operating leases fall due as follows:

	2009	2008
	£m	£m
Within one year	2.9	0.7
In the second to fifth years inclusive	22.8	28.2
After five years	74.2	99.5
<b>Total</b>	<b>99.9</b>	<b>128.4</b>

### 30. Capital commitments

The amounts of capital expenditure contracted for but not provided for in the financial statements at 31 December 2009 amounted to £nil (2008: £1.1m).

### 31. Related party transactions

Disclosures relating to the Henderson Group Pension Scheme are covered under note 20.

#### Group

Intra group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group.

Details of transactions between the Group and its fellow subsidiaries, which are related parties, together with amounts due from and to these related parties at the balance sheet date, are disclosed below:

	2009	2008 (Restated)
	£m	£m
<b>Transactions with related parties</b>		
Profit on group restructuring	-	34.2
Transfer of financial instruments to fellow subsidiary on group restructure	-	30.5
Interest receivable	3.7	0.7
Loss on write down of loan to fellow subsidiary	-	(20.9)
Income from fellow subsidiaries	56.6	63.0
Expenses from fellow subsidiaries	(63.1)	(61.2)
Share of associates profit for the year	0.7	2.4
<b>Amounts owed by/(to) related parties</b>		
Amounts owed by fellow subsidiaries	200.3	141.9
Amounts owed to fellow subsidiaries	(138.5)	(74.1)

### Compensation of key management personnel (including Directors)

	2009	2008
	£m	£m
Short-term employee benefits	5.2	4.2
Post-employment benefits	0.2	0.2
Share-based payments	4.1	9.0
	<b>9.5</b>	<b>13.4</b>

## Notes to the financial statements – Group and Company (continued)

### 31. Related party transactions (continued)

#### Company

Details of transactions between the Company and its controlled entities, which are related parties, together with amounts due from and to these related parties at the balance sheet date, are disclosed below:

	2009	2008
	£m	(Restated) £m
<b>Transactions with related parties</b>		
Additional investment in subsidiary companies	48.1	-
Impairment of investment in subsidiary companies	(50.6)	-
Dividends receivable	-	1.0
Expenses recovered from other Group companies	4.0	12.6
Interest payable	(9.8)	(25.8)
Interest receivable	1.4	-
<b>Amounts owed by/(to) related parties</b>		
Amounts owed by fellow subsidiaries	365.7	198.4
Amounts owed to fellow subsidiaries	(888.2)	(686.6)

### 32. Ultimate Parent Undertaking and Controlling Party

The Company's immediate parent undertaking is Henderson Holdings Group Limited and the ultimate parent undertaking is Henderson Group plc. A copy of the Henderson Group plc's Annual Report and Accounts for the year ended 31 December 2009 can be obtained from its registered office at 47 Esplanade, St Helier, Jersey, JE1 0BD and at [www.henderson.com](http://www.henderson.com).

### 33. Contingent liabilities

The following contingent liabilities existed or may exist at 31 December 2009:

- In the normal course of business, the Group is exposed to certain legal issues, which can involve litigation and arbitration, and may result in contingent liabilities;
- In the normal course of business, the Group enters into foreign exchange contracts for Group hedging purposes and for facilitating foreign currency transactions of its clients. Such contracts can give rise to contingent liabilities;
- On 2 May 2006, the Hong Kong Securities and Futures Commission announced that it had reached a settlement with UKFP (Asia) HK Limited (formerly part of Towry Law International) regarding certain legacy products sold by Towry Law International. Significant payments have subsequently been made to investors in line with accounting provisions made for that purpose. The Directors are of the opinion that the provisions remaining at the reporting date are adequate to cover any future payments;
- Under the sale agreement with Pearl Group Limited, normal tax-related warranties and indemnities given by the Group expire up to six years from the disposal date of 13 April 2005; and
- Under the Towry Law UK sale agreement, normal tax-related warranties and indemnities given by the Group expire up to six years from the disposal date of 3 May 2006.

As at the date of approval of the 2009 financial statements, the Group and Company neither foresee nor have they been notified of any claims under outstanding warranties and indemnities from the abovementioned sale agreements.

### 34. Acquisitions and disposals of subsidiaries

#### 34.1 Acquisitions

The Group did not acquire any subsidiaries during the current or previous year.

#### 34.2 Disposals

The Group did not dispose of any subsidiaries during the current period.

On 27 November 2008, the Group completed the sale of the following companies to Henderson Holdings Group BV, a fellow subsidiary of Henderson Group plc:

Henderson Funds Management (Jersey) Limited,  
Henderson Global Investors (Ireland) Limited,  
Henderson Management SA,  
Henderson Fund Management (Luxembourg) SA,  
Henderson Equity Partners Funds Limited,  
Henderson Global Investors (Hong Kong) Limited,  
Henderson Global Investors (Singapore) Limited,  
Henderson Property Management Company (Luxembourg) No.1 sarl, and  
Henderson International Finances Limited.

Information relating to this disposal is included in note 7 to these accounts.

## Notes to the financial statements – Group and Company (continued)

### 35. Events after the balance sheet date

The Board has not, as at 24 June 2010, being the date the financial statements were approved, received any information concerning significant conditions in existence at the balance sheet date, which have not been reflected in the financial statements as presented. The Board has, however, given due regard to the events described below which occurred after the balance sheet date.

On 17 May 2010 the Company made an additional investment a subsidiary of £32.7m. In addition, on 27 May 2010 the Company has received a dividend of £50.0m from a subsidiary and received a capital contribution of £50.0m from its immediate parent.

### 36. Restatement

The Group and Company statement of financial position as at 31 December 2008 and the Group and Company statement of changes in equity for the year ended 31 December 2008, have been restated to reflect an accounting adjustment to the recognition of own shares held by the employee benefit trust on implementation of the scheme of arrangement on 31 October 2008. The cumulative impact of the restatement as at 31 December 2008 is to increase the investment in subsidiaries by £49.0m (Company only), reduce trade and other receivables by £131.5m (Group and Company), increase trade and other payables by £2.4m (Group and Company), decrease the minority interest by £53.0m (Group only) and reduce the Group and Company profit and loss reserve by £80.9m and £84.9m respectively.

As this restatement relates only to transactions occurring in 2008, and has no impact prior to 31 October 2008, the Directors do not consider that the presentation of a statement of financial position at 1 January 2008 would provide useful information.

### 37. Directors emoluments

The Directors of the Company have contracts of employment with Henderson Group plc and Henderson Administration Limited. The emoluments of the Directors of the Company who are also Directors of Henderson Group plc are disclosed in the financial statements of that company. The emoluments of the Director who is also a director of other Henderson Group companies, but not Henderson Group plc, are disclosed in the financial statements of Henderson Administration Limited, as it is not practicable to apportion this amount between his services as Director of the Company and his services as Director of other Henderson Group companies.

## **GLOSSARY**

### **ABI**

Association of British Insurers

### **ASX**

Australian Securities Exchange

### **AUM**

Assets Under Management

### **BAYE**

Buy As You Earn Plan

### **Board**

The board of directors of the Company

### **BP**

Banco Popolare Gruppo Bancario

### **bps**

Basis points

### **CDIs**

CHESS Depositary Interests

### **Company**

HGI Group Limited

### **CSOP**

Company Share Option Plan

### **DEP**

Deferred Equity Plan

### **Directors**

The directors of the Company

### **EBT**

Employee Benefit Trust

### **ESOP**

Employee Share Ownership Plan

### **EUR**

Euros

### **FSA**

The UK Financial Services Authority

### **FX**

Foreign Exchange

### **GAPP**

Generally Accepted Accounting principles

### **GBP**

Pounds sterling

### **Group**

The Company and its controlled entities

### **Hedge funds**

Hedge funds including Absolute Return Funds

### **Henderson Group**

Henderson Group plc and its controlled entities

### **IAS**

International Accounting Standard

### **IFRIC**

International Financial Reporting Interpretations Committee

### **IFRS**

International Financial Reporting Standards as adopted by the European Union

## **Glossary (continued)**

### **LIBOR**

London Inter-bank Offered Rate

### **LSE**

London Stock Exchange

### **LTIP**

Long Term Incentive Plan

### **OEIC**

Open Ended Investment Company

### **Pearl**

Pearl Group Limited and its subsidiaries, or Life Services business

### **Pension Scheme**

The Henderson Group Pension Scheme

### **RSP**

Restricted Share Plan

### **SAYE**

Save as You Earn scheme

### **Scheme**

Scheme of arrangement that became effective on 31 October 2008.

### **SICAV**

Société d'investissement á capital variable (collective investment scheme)

### **SRI**

Sustainable and Responsible Investment

### **TCF**

Treating Customers Fairly

### **Towry Law International**

The international division (now closed) of Towry Law plc

### **Towry Law UK**

Towry Law plc and its controlled entities, which was sold to JS&P Holdings Limited

### **UCITs**

Undertaking for Collective Investment in Transferable Securities

### **UK or United Kingdom**

The United Kingdom of Great Britain and Northern Ireland

### **UK Companies Act**

Companies Act 2006

### **US**

United States of America