



ANNUAL REPORT

2010

HENDERSON GLOBAL INVESTORS IS A DEDICATED AND FOCUSED ASSET MANAGER.

DECISIONS ARE TAKEN IN A CONSIDERED WAY – CONSCIOUS OF THE RISKS YET ALIVE TO THE OPPORTUNITIES.

HENDERSON GROUP PLC IS LISTED ON THE LSE AND ASX.

-
- GLOBAL RECOVERY CONTINUED BUT EUROZONE UNCERTAINTY REMAINED
 - OUR DIVERSITY HELPED OFFSET UNCERTAIN AND VOLATILE MARKETS
 - SOLID INVESTMENT PERFORMANCE
 - GOOD INFLOWS INTO HIGHER MARGIN PRODUCTS
 - STRONG GROWTH IN PROFITABILITY
 - HEALTHY BALANCE SHEET, PROGRESSIVE DIVIDEND POLICY

Underlying earnings per share

10.2p
7.5p (2009)

Dividends per share

6.5p
6.1p (2009)

Underlying profit

£100.7m
+37% (2009)

Net higher margin fund flows

£2bn
£0.7bn (2009)

Our business

In this section our Chairman and Chief Executive discuss key market and regulatory developments, our strategy, progress against key performance indicators and prospects for 2011.

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Governance

In this section we provide a summary of our sustainable approach to business, list the biography of each Board member and provide the Directors' statutory report. In addition, the Corporate Governance Statement and Report on Directors' Remuneration describe how the Company complied with the Combined Code and ASX Principles. The Directors also state their responsibilities in preparing this Annual Report and the Auditors provide their opinion on the financial statements.

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Shareholder information

This section contains more information on the Company's shareholder register and also contains useful information for shareholders including contact details for the share registry and a glossary of defined terms.

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Consolidated financial results year ended 31 December

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Income					
Management fees (net of commissions)	282.5	226.8	221.9	258.0	221.2
Transaction fees	36.8	24.9	16.5	17.8	24.6
Performance fees	42.8	31.6	32.0	86.9	65.1
Total fee income	362.1	283.3	270.4	362.7	310.9
Finance income	0.8	4.3	15.3	25.7	25.2
Total income	362.9	287.6	285.7	388.4	336.1
Operating costs	(253.5)	(205.0)	(193.0)	(273.7)	(253.9)
Finance costs	(8.7)	(8.9)	(12.3)	(8.0)	–
Total expenses	(262.2)	(213.9)	(205.3)	(281.7)	(253.9)
Underlying profit	100.7	73.7	80.4	106.7	82.2
Intangible amortisation and void property finance charge	(13.7)	(10.7)	(0.1)	–	–
Recurring profit before tax	87.0	63.0	80.3	106.7	82.2
Non-recurring items	(10.5)	(47.5)	(97.3)	40.5	(7.8)
Discontinued items	–	–	–	–	(2.0)
Profit/(loss) before tax	76.5	15.5	(17.0)	147.2	72.4
Tax on recurring profit	(16.1)	(13.3)	(8.6)	(12.4)	(11.1)
Tax on non-recurring items	0.6	12.3	4.8	(2.6)	–
Non-recurring tax	16.4	–	–	–	–
Tax on discontinued items	–	–	–	–	(0.1)
Total tax	0.9	(1.0)	(3.8)	(15.0)	(11.2)
Profit/(loss) after tax	77.4	14.5	(20.8)	132.2	61.2
Attributable to:					
Equity holders of the parent	77.9	13.8	(20.9)	132.1	61.1
Non-controlling interests	(0.5)	0.7	0.1	0.1	0.1
	77.4	14.5	(20.8)	132.2	61.2
Operating margin ¹	30.0%	27.6%	28.6%	24.5%	18.3%
Compensation ratio ²	44.4%	43.9%	44.3%	49.8%	51.4%
Average number of employees	938	933	920	921	893
AUM as at 31 December (£bn)	61.6	58.1	49.5	59.2	61.9
Average AUM for the period (£bn)	58.7	53.0	53.7	61.1	65.1
Total fee margin (bps)	61.7	53.5	50.4	59.4	47.7
Management fee margin (bps)	48.2	42.8	41.3	42.2	33.9
Net margin ³ (bps)	17.2	13.9	15.0	17.5	12.6
Basic and diluted earnings per share					
Weighted average number of ordinary shares for basic EPS (m)	788.4	759.3	660.6	804.6	1,085.2
Weighted average number of ordinary shares for diluted EPS (m)	849.2	809.4	715.0	847.5	1,102.6
Basic on underlying profit ⁴	10.2p	7.5p	10.8p	11.7p	6.4p
Basic	9.9p	1.8p	(3.2)p	16.4p	5.6p
Diluted on underlying profit ⁴	9.5p	7.0p	10.0p	11.1p	6.3p
Diluted	9.2p	1.7p	(3.2)p	15.6p	5.5p
Dividends per share	6.5p	6.1p	6.1p	6.1p	3.15p
Investment performance⁵					
Funds at or exceeding benchmark over 1 year	70%	70%	41%	48%	60%
Funds at or exceeding benchmark over 3 years	62%	64%	49%	54%	45%

Notes

1. Total fee income less operating costs divided by total fee income.
2. Employee compensation and benefits divided by total income.
3. Net margin calculated on recurring profit before intangible amortisation, void property finance charge and tax.
4. Based on underlying profit after tax attributable to equity holders of the parent.
5. Asset weighted of funds measured over one and three years to 31 December.

Rupert Pennant-Rea

Chairman

**Overview**

The global economic recovery that started in 2009 continued in 2010. Gross World Product rose by 5%, well above the long-run average of 3.3%. However, 70% of this growth was accounted for by emerging markets. In most developed economies, conditions remained sluggish and unemployment high. Investors were more than once unnerved by the Eurozone sovereign debt crisis, fearing that it would result in new strains on the banking system. Reflecting these concerns, as well as signs of slower growth in China, equities fell sharply in May and then languished for a while. The turning point for markets came in September when the US Federal Reserve announced a second round of quantitative easing. This, together with good corporate news, revived investors' appetite for risk, so equities finished with solid gains for the year. When the quantitative easing policy was implemented in November, commodity prices rose sharply, boosting inflation in developed and emerging economies and making some central banks respond with tighter policy.

The overall rise in equity markets was good for Henderson's business. With the success of the New Star acquisition and higher transaction and performance fees, the Group's underlying profit rose by 37%.

Dividends

The Board has adopted a progressive dividend policy and, in keeping with this, is recommending a final dividend for 2010 of 4.65 pence per share, bringing the total dividend for 2010 to 6.5 pence per share, 7% higher than the 2009 total dividend. The proposed final dividend will be paid on 27 May 2011 to shareholders who are on the register on 6 May 2011.

As previously announced, we intend the interim dividend to be 30% of the total dividend for the previous year.

The Board

There were no changes to the Board's membership last year. In accordance with the new UK Corporate Governance Code issued by the FRC in June 2010, from now on Directors will offer themselves for reappointment every year.

Henderson Group share price**Corporate activity**

The main strategy for the Group is profitable organic growth. That said, and as we have shown in the past, we keep an eye on acquisition opportunities that fill gaps in our product range and/or improve our distribution. Any acquisition possibility will be judged against strict financial criteria, and also by its cultural fit. We have a distinctive culture which (as evidenced by our low staff turnover) works for our staff and, through them, for our clients. In 2010, we reviewed a number of opportunities including RidgeWorth, a US-based company, but we decided not to pursue it. In January 2011, we announced the proposed acquisition of Gartmore. It should reinforce our position as a diversified asset manager with much to offer in traditional long-only and absolute return funds, and it will significantly strengthen our presence among UK retail investors. Shareholders are being asked to vote on this acquisition in March; your Board unanimously recommends that you vote in favour.

Outlook

Although concerns about sovereign debt are likely to continue, the global economy looks set for reasonable growth. Even though the UK recovery will test the nerves, we are well placed to provide a good service for our clients and decent results for our shareholders.

Thank you

The Board would like to thank our staff for their skill and hard work last year. Thanks also to our shareholders for your support for Henderson; we do not take it for granted.

Rupert Pennant-Rea

Chairman

Andrew Formica
Chief Executive

IMPROVED MARKET CONDITIONS, BUT BUFFETED BY ECONOMIC, POLITICAL AND ENVIRONMENTAL FACTORS

Market and regulatory review

- Recovery in global economy continued
- Global equity market returns outpaced most other asset classes
- Increasing and changing regulation in our sector

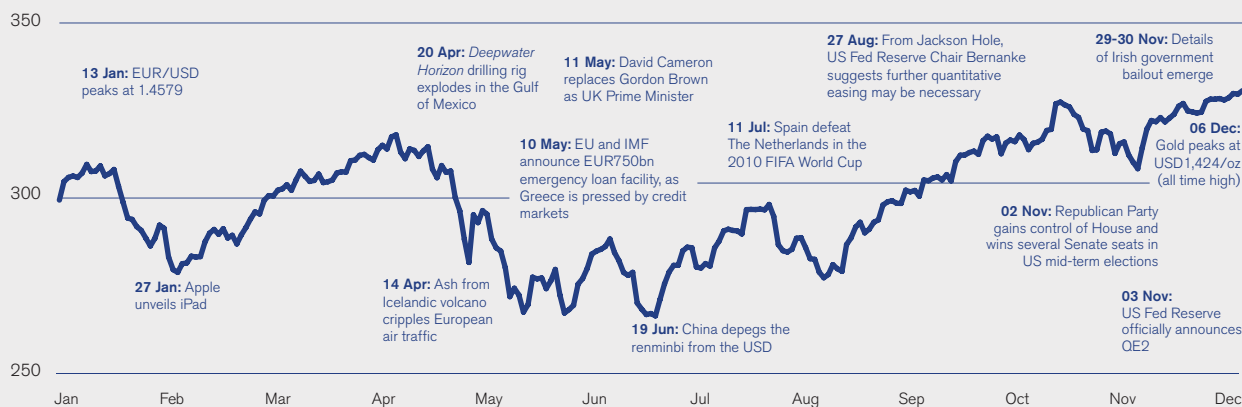
Review of 2010

The year was characterised by recovery in the global economy, although the effects of the global financial crisis continued to be felt. Market conditions improved and equity markets were on average 20% higher in 2010 compared to 2009, but there were notable episodes of volatility and uncertainty. As can be seen in the chart below, there were a number of economic, political and environmental events each of which troubled markets for a period of time.

Following the recapitalisation of banks in 2009, the realisation came in 2010 that risk and liabilities had simply changed hands from the private to the public sector. As a consequence, the governance of the Eurozone came into question as significant current account deficits had been run up by countries such as Greece, Spain, Portugal and Ireland. The Greek debt crisis was followed by the near-insolvency of the Irish banking system and bailout packages reached a staggering EUR200bn. It now seems that, in order for the Eurozone to prosper, the rules governing the Eurozone will need to be rewritten.

In Asia, China overtook Japan to become the second largest economy in the world. Halfway through the year, in order to reduce the risk of importing inflation, it decided to de-peg its currency from the US dollar. In the US, on the other hand, with a fall in the popularity of President Obama and a faltering economic recovery, the Federal Reserve embarked on a second wave of quantitative easing. In the UK, markets broadly welcomed the spending cuts agreed by the Coalition Government following the General Election in May. Gilt yields remain low by historical standards, but household disposable incomes are under severe pressure from tax increases and rising prices.

MSCI All Country World Index



Sources: Bloomberg and UBS

The market outlook for 2011

Looking at 2011, world trade and industrial output continue to recover, despite continuing concerns over rising inflation, the sovereign debt crises and the instability of banking systems. Strong demand from fast-growing developing countries has led to increased sales and improved profitability of manufacturing companies around the globe. Our central tenet is that this theme is set to continue with industrial stocks poised to deliver good returns to shareholders whereas consumer-facing stocks in Western markets are likely to disappoint.

From a regional perspective, the turmoil in sovereign debt markets held back European equities in 2010 and we believe valuations of these equities have the potential to improve in 2011 as investor interest returns.

We expect Asian companies could grow earnings by a further 15% in 2011. In addition, the region has a young demographic profile and relatively strong fiscal background, which contrast with those of the West. The monetary expansion in the US is feeding through to commodity prices and asset prices in Asia. The danger is that inflation accelerates, requiring a strong reaction by central banks, although early moves by Australian, Chinese and Indian authorities to tighten monetary policy have been encouraging.

When it comes to continued economic support, US policymakers have been more accommodating than most. The Federal Reserve has persisted with stimulus measures aimed at fuelling growth long after other countries adopted more hard-line austerity measures. The signs are coming through, however, that the economy is beginning to respond and US companies have shown impressive profit growth. However, investor sentiment is weighed down by the high unemployment rate and weak housing market. This dichotomy between strong corporate earnings growth and a slow US economy is likely to continue in 2011.

In bond markets, the days of significant capital appreciation for bond funds are gone and the year ahead will likely focus on capital preservation whilst generating a consistent level of income. Given uncertainty over how the sovereign debt crisis will play out, and its impact on the banking and corporate sectors, identifying clear sector themes and combining them with company fundamental analysis will be the key to exploiting these challenging conditions. The ability to adjust to the ever-changing environment will be critical. In an environment where a sustained period of rising yields could be detrimental to overall bond market returns (should interest rates rise), the ability to utilise a broad range of investment instruments could prove invaluable in helping to preserve capital.

UBS Global Equity Risk Appetite Indicator



Sources: UBS, Bloomberg and Datastream

In the UK and Europe we believe the weight of money chasing a limited supply of prime property assets is likely to overheat this sub-sector of the market whilst Asian growth markets, such as China and Singapore, will continue to look attractive. In the US, we expect property markets to continue making a steady recovery.

Regulatory changes

Of the many regulatory developments there have been, one of the most prominent for our business is the UK Retail Distribution Review, originally launched in 2006, which aims to promote a resilient, effective and attractive retail investment market. Whilst there are aspects of these rules still to be finalised, we are working to get our business prepared for its expected implementation in 2013. Another important development has been the Alternative Investment Fund Managers Directive. The purpose of this Directive has been to provide more transparency and additional regulatory oversight of the alternative funds industry and has been in development for several years. At this stage, we do not expect this Directive to have a significant impact on our business. However, much of the practical 'rule making' that stems from this Directive has yet to be promulgated. We observe developments with interest and participate where we can to influence the outcome for fair markets for the benefit of investors.

The FSA has also been reviewing the remuneration practices of financial services firms in the UK and published its revised Remuneration Code in December 2010. Our remuneration structures are consistent with the revised Code.

The outlook for the Group

Keeping our clients' needs at the centre of everything we do will drive our success. Joined-up thinking across product development, fund management, sales and client service, should ensure that we provide clients with more valuable investment products. We continue our efforts in making this business more efficient and more profitable and ultimately, increasing the value of our franchise. In so doing, we will deliver good returns to our shareholders.

By combining organic growth with being alert to opportunities to accelerate our strategic goals, the overriding focus remains our clients and ensuring that we have the capabilities required to help them achieve their investment objectives.

We are optimistic about the outlook for markets. We are well positioned to grow our existing product range and develop new products to distribute through all the channels in all the geographies in which we operate.

Andrew Formica
Chief Executive

SCALE

WITH ITS PRINCIPAL PLACE OF BUSINESS IN LONDON AND OFFICES ACROSS THE GLOBE, HENDERSON IS ONE OF EUROPE'S LARGEST INVESTMENT MANAGERS

Henderson provides its institutional, retail and high net-worth clients access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity.

Underlying profit

£100.7m

+37% (2009: £73.7m)

Assets under management

£61.6bn

+6% (2009: £58.1bn)

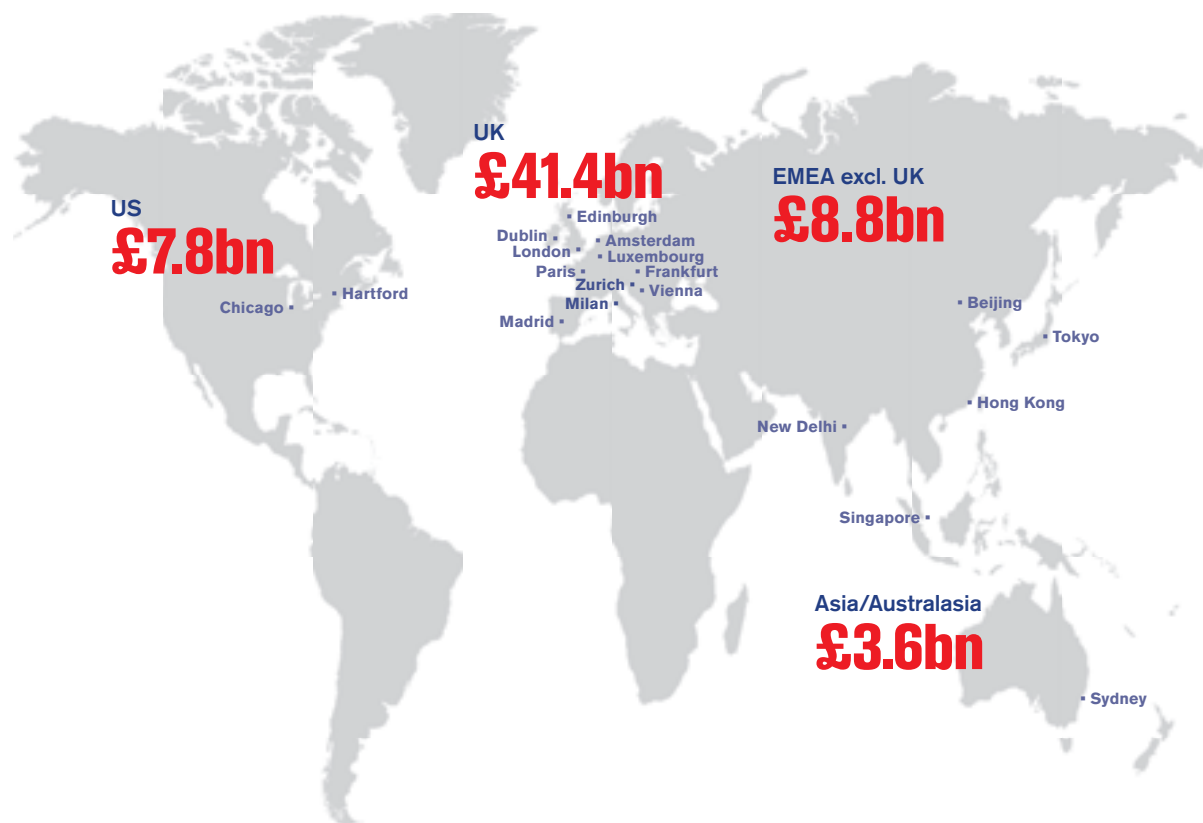
People



938

+1% (2009: 933)

AUM geographical source of clients



DIVERSITY

Global Listed Assets

Product range

Retail funds (Luxembourg SICAVs, US mutual funds, UK OEICs and unit trusts), hedge funds (offshore funds and managed accounts), investment trusts, institutional segregated and pooled funds (including Pearl assets), cash funds and structured products.

Where we distribute

All product ranges contain funds distributed globally (except Investment Trusts) to both institutional and retail clients.

Largest net inflows in 2010

- Global Technology
- Strategic Bond
- Pan-European Equity
- Global Equity Income
- Multi-Manager Income & Growth
- European Special Situations
- Credit Alpha
- Japan Absolute Return

People



293

investment professionals
and distribution staff

Total income contribution

£291.9m

+35% (2009: £216.8m)

AUM

£48.7bn

Global Property

Product range

Closed-ended funds, segregated accounts, open-ended funds and UK retail funds.

Where we distribute

Products are distributed globally, largely to institutional clients, except for retail funds distributed in the UK.

Main product flows in 2010

We invested £1.5bn, a mixture of past client commitments and raising new equity and debt, in various assets. We were appointed as investment management adviser to Canada Pension Plan Investment Board

and Algemene Pensioen Group N.V. (through a formed joint venture) on their purchase from Westfield Group of a 50% interest (valued at £871m) in Westfield Stratford City.

People



91

investment professionals
and distribution staff

Total income contribution

£53.0m

+5% (2009: £50.3m)

AUM

£11.0bn

Global Private Equity

Product range

Infrastructure, Asian Private Equity and Private Equity Fund of Funds.

Where we distribute

Products are distributed by Private Equity, Global Listed Assets and external placement agents in London, Singapore, Hong Kong, Beijing and New Delhi.

People



14

investment professionals
and distribution staff

Total income contribution

£10.3m

+4% (2009: £9.9m)

AUM

£0.8bn

Business management: The Group is a single segment investment management business governed by the Board, with sole discretion for setting the strategic direction of the business. Whilst the Group's Executive Directors and key management are responsible for and have discretion over the day-to-day management of the business and support functions, all strategic, financial management and key operational decisions are taken centrally by the Board. The Board receives reports across product lines, distribution channels and geographic regions, and monitors financial performance and determines the allocation of capital centrally.

People above represents average headcount and excludes NSIM and support functions. Total Group average headcount in 2010 was 938 (2009: 933). AUM above excludes NSIM but includes Pearl. Total income above excludes NSIM and finance income.

OUR GOAL IS TO HELP OUR CLIENTS ACHIEVE THEIR INVESTMENT OBJECTIVES

by delivering sustainable, long-term investment performance. We aim to achieve this by:

1

offering a broad range of high-quality traditional and innovative products to meet our clients' needs



See page 9

2

striving to provide superior risk-adjusted returns to add value for clients



See page 11

3

working with clients in a collaborative partnership to understand their needs



See page 14

4

attracting and retaining the best people in their fields



See page 21

Our long-term business strategy is to focus on sustainable growth in retail, specialist institutional and absolute return funds, which we deliver by:

focusing solely on investment management

offering a diverse range of high-quality investment products

growing organically and by selective partnering or acquisition

expanding internationally in Asia, Continental Europe and the US

attracting the best people in their fields who become shareholders in the business

maintaining our financial strength



Key performance indicators can be found on pages 12 to 16 and page 21

GOOD INVESTMENT PERFORMANCE IN KEY FUNDS AND PRODUCTS

An overview of business performance in 2010

- Good investment performance continued
- Reviewed and enhanced fund range with a focus on finding solutions for clients
- Extended relationships with clients and consultants globally

Given the diversity of our business, in terms of client, geography and product, we were well placed to navigate through the uncertain and volatile market environment during 2010.

Global Listed Assets

Investment performance in our key funds and products continued to be good (as discussed on page 12) and our investment management and distribution teams had minimal turnover, underscoring the commitment of our key employees to the further success of our business.

Relationships with clients and institutional consultants across the globe continued to strengthen and in 2010 we sourced new business from nearly a dozen different investment consultants globally. We expanded our distribution capabilities into new

regions, such as the Nordics and South America, and improved our distribution capabilities in China and Japan by developing regional distribution agreements with local financial institutions.

The core markets for us remain in the UK and Continental Europe, supported by an increasing presence in both the US and Asia. In the UK, the successful integration of New Star and our improved brand awareness have contributed significantly to the growth potential of our UK Retail business. We had positive net flows into a broad range of funds including Strategic Bond, our multi-manager fund range, European Special Situations and Credit Alpha, a UCITS III enabled fund. The Strategic Bond Fund enjoyed great success in 2010, both in terms of fund performance and flows, and is fast approaching £1bn in assets. We are also pleased with the success we have achieved in launching the European Special Situations Fund. Launched in the fourth quarter of 2009, it has since grown to over £0.3bn.

It was a good year for inflows into our specialist funds in Continental Europe such as our Global Technology Fund and Global Property Equities Fund. Our pan-European funds also saw strong inflows, especially our pan-European Equity Fund which has consistently delivered top quartile performance over three and five years. Our European Smaller Companies Fund had excellent investment performance and good net inflows. We launched the Horizon European Corporate Bond Fund at the end of 2009 and performance has been very strong, as a result of which we are seeing increased interest in this area.

The biggest disappointment in our US Retail business has been the investment performance of the International Opportunities Fund, one of our flagship funds. Although the five year performance of this fund remains top quartile, the one and three year numbers have been poor resulting in some redemptions from the fund. On the other hand, the Global Equity Income Fund, which now has a four year track record, had good inflows during the year and is approaching USD1bn. We also launched two new funds towards the end of the year, providing further diversification to our US Wholesale product suite. Our US institutional business is going from strength to strength, achieving a near record year in gross sales and crossing the USD2bn mark in AUM sourced from this market at 31 December 2010.



Case study

Offering a broad range of high-quality traditional and innovative products to meet our clients' needs

Interest rates and bond yields at historically low levels were leading to increased investor interest in the income-generating capacity of equities. Henderson noticed that UK investors were becoming increasingly comfortable investing outside of the UK but that most non-UK equity vehicles were focused solely on capital growth. There appeared to be a gap in the market, therefore, for equity products offering income drawn from non-UK equities. Not only was there appetite from investors for this type of product but there were attractive diversification benefits from being able to invest on a global basis. A global equity income vehicle would enjoy greater choice in terms of high yielding sectors and should help to reduce the potential risk from an individual country underperforming.

In early 2010, therefore, we considered launching a global equity income fund. We had inherited a global equity fund from our acquisition of New Star. This fund had a weak long-term track record and we believed that we could offer a stronger performance proposition to investors by converting this fund to a global equity income vehicle.



Investors in the fund approved the change in mandate in June 2010, and we relaunched the fund as the **Henderson Global Dividend Income Fund**, complete with new managers who had a strong reputation in managing equity income products. Its new mandate to deliver an attractive income with the potential for capital gain recognises the need for income producing investments whilst also providing access to fast-growing markets. The Henderson Global Dividend Fund is in step with an increasingly globalised world and adds to our suite of equity income products.

Most of the inflows into our hedge funds occurred in the first quarter of 2010 and these were mainly in Japan, UK Equity Long Short and our Asian absolute return funds. Investor activity slowed thereafter but picked up again in the fourth quarter of 2010. We have good investment performance, particularly in our Japan, Multi-Strategy and European absolute return funds, with 77% of our funds above their high watermark, and we expect to see further inflows into these funds during 2011. We are focused on refilling the capacity in our hedge funds and also responding to the increasing institutional demand in the US for hedge fund products. The UCITS III Credit Alpha Fund has enjoyed great success since its launch in mid 2007, being one of only a small number of UCITS III credit long/short funds. To complement this, given the team's proven track record in long/short credit, we also launched the Henderson Credit Long Short Fund, a Cayman domiciled hedge fund, in the first quarter of 2010.

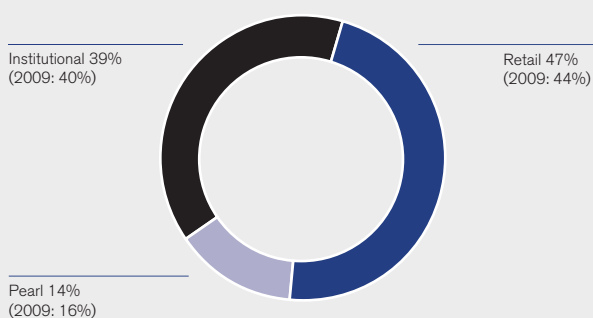
Our Structured Products business continued to earn advisory and management fees and, as a result of improvements in prices and opportunities in the loans market, we were able to release subordinated management fees from our Collateralised Loan Obligations book of business.

Looking at other parts of the business, in Investment Trusts a combination of fund transfers and fund realisations resulted in net outflows in 2010. The Henderson Private Equity Investment Trust plc changed its investment strategy (see page 11), which involves the orderly realisation of the portfolio over a period of two years, and Witan Investment Trust plc changed its asset allocation, despite solid performance, and replaced Henderson's enhanced index portfolios with traditional active managers. That said, Investment Trusts remain a sizeable and important part of our business.

As regards our cash business, DB Advisors were appointed as investment manager of the £3.3bn Henderson Liquid Assets Fund (HLAF) from October 2010. This followed a review of our liquidity business in light of potential changes to the way that the money market fund industry is regulated whilst ensuring the best outcome for investors. Since then, investors have approved the merger of HLAF into the Deutsche Managed Sterling Fund, a corresponding sub-fund of Deutsche Global Liquidity Series plc, and as a result our AUM will reduce by approximately £3.0bn with effect from February 2011.

Our focus remains on providing client solutions. As such, we continually review our fund range, whether that be launching new products or rationalising existing ones, to ensure that we offer relevant products to our clients. We want to capitalise on the good reputation we have built in areas such as multi-manager, credit, and absolute return. Building our brand is vital in all markets, as well as maintaining good relationships with consultants and distribution partners globally and locally.

Listed Assets AUM by client type (%)



Global Property

Global Property AUM grew by £1.7bn from £8.9bn to £10.6bn, mainly due to fund flows, including £0.9bn relating to the purchase of 50% of Westfield Stratford City on behalf of clients and the investment of £0.5bn of prior year client commitments. Total client commitments at 31 December 2010 were £1.4bn (2009: £1.4bn), as investments made have been replaced by new assets raised. AUM as at 31 December 2010 of £10.6bn excludes investments by Pearl in closed-ended property funds of £0.4bn and £0.8bn of UK Retail assets, in respect to the Henderson UK Property Unit Trust.

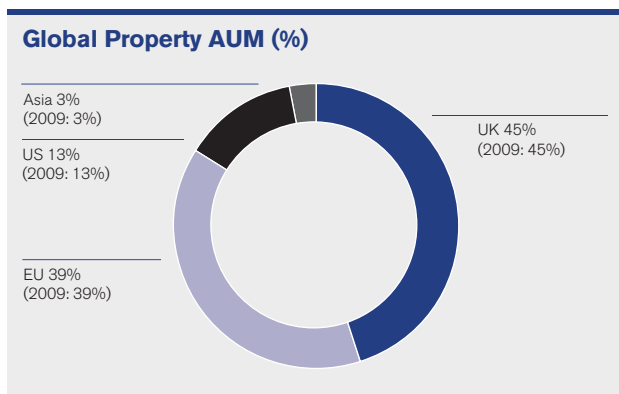
Whilst we made good progress in investing client commitments, we are selective in the properties we choose to invest in. Prime assets in some of our key European markets are fully priced or of poor quality whereas the US property market recovery appears to be lagging Europe by six to nine months. It is also evident that the spread between prime and secondary properties has increased considerably. Taking into account these factors, the requirements of each fund is carefully balanced against the availability of suitable properties in the market. During the year, the team took advantage of improving valuations in the market, sold some of their assets and in so doing unlocked profits for clients and in the majority of cases these proceeds will be reinvested.

We also reviewed our fund range and in the middle of the year we transferred the £0.2 billion Henderson International Property Fund acquired as part of New Star to Aviva Investors. After a review of the fund's long-term strategy, we established that, for the fund to remain effective, it needed to increase in both size and regional diversification. So it was decided that, in the best interests of investors in the fund, to combine the fund with another fund with similar investment objectives and holdings.

One of the highlights of the year was being appointed as investment management adviser to Canada Pension Plan Investment Board and Algemene Pensioen Groep N.V. (through a joint venture) on their purchase from Westfield Group of a 50% stake (valued at £871m) in Westfield Stratford City. Another was the launch of the Central London Office Fund II (CLOF II) which had a first close of £90m and made investments of £25m in the year. One of the cornerstone investors in CLOF II has allocated funds outside of the fund for further investment in central London offices and we began to invest some of this allocation during the year. We also reopened the open-ended Henderson Indirect Property Fund (Europe).

There has been a significant improvement in investment performance (discussed on page 12) across the fund range. We take a long-term view on investment strategy, keeping sight of the fact that our average fund duration is eight to 10 years. Although short-term investment performance suffered in 2008 and 2009, our strategy is now paying dividends for our clients and this has provided a significant boost to our brand strength in property. We took advantage of the downturn in the property cycle and were therefore well placed to lock in gains as property markets in some parts of Europe recovered rapidly in early 2010. While the easy wins have gone from prime markets our investment team is using its asset management and development skills to reposition secondary assets into the prime market.

As regards our outlook for global property, in the UK, we believe that sentiment may wane in 2011 but that a more stable pace of recovery offers a welcome change from recent market volatility and should, in the medium term, help cement a more sustainable and robust market. For Europe, low interest rates and bond yields will underpin continued strong real estate interest in 2011 and overheating in parts of the European property market seems unavoidable. In Asia, we predict that global commercial property investment will track macroeconomic indicators in 2011 and that, as such, Asia's ability to weather the global financial storm, in addition to its attractive growth prospects and low interest rate environment, will underpin continued investor interest.



Global Private Equity

Total AUM grew by £0.1bn to £0.7bn in 2010 (excluding £0.1bn of Pearl AUM), as a result of increases in the value of the funds.

In the infrastructure business, a number of initiatives were successfully concluded in 2010 giving rise to a positive impact on valuation. In particular, during the fourth quarter of 2010 John Laing (an investment held by two of our infrastructure funds) raised a £270m listed infrastructure fund, the second largest

investment fund Initial Public Offering on the London market in 2010. At the same time John Laing and its parent undertakings refinanced and repaid its bank facilities. John Laing also met its targets for new business in 2010 and is expanding its global business in North America, Asia and Australia. These initiatives have underpinned a strong improvement in the performance of the infrastructure funds.

Other parts of the Private Equity business continue to perform well. The first Asia fund has delivered a net IRR of 16% per annum over a nine year period. The fund realised one of the three remaining investments during the year and partially realised the other two. These realisations gave rise to performance fees in the form of carried interest and the Group has recognised £4.8m in FY10 in relation to carried interest on this fund. The team's second fund has made three investments to date across India and China and these are progressing well.

The Fund of Funds business has continued its good performance. The unlisted Global Fund of Funds, which was fully invested by the end of 2003, has now delivered a net IRR of 14% per annum. The listed Fund of Funds vehicle, Henderson Private Equity Investment Trust plc, performed well during 2010. In September, the Trust announced its intention to execute an orderly realisation of its portfolio. As a result, the share price of the Trust increased 70% during the year, making it the top performing private equity investment trust in 2010.

Investing in our brand

We undertook a company-wide rebranding project in the second quarter of 2010, the catalyst being the integration of the Henderson and New Star funds. In tandem with the decision to remove the New Star brand, we also invigorated our brand across the Group. A new Henderson Global Investors logo and brand identity was developed, building on the investment made into the UK retail brand. The rebranding exercise has been a success where in the UK retail market awareness levels remain significantly above levels prior to the New Star acquisition.



Striving to provide superior risk-adjusted returns to add value for clients

In 2010, the Henderson European Absolute Return Fund achieved a net return in excess of 40% and was awarded the EuroHedge award for Best European Equity Fund under USD500 million, reflecting strong external recognition for the fund's risk-adjusted returns.

Conviction-led stock picking and patience are just two of the ingredients that Stephen Peak, the fund manager, would use to explain the fund's success. The fund generally takes a contrarian approach to investing, seeking to exploit valuation anomalies within equities. A good example is the gold miner Centamin Egypt. This investment was originally purchased in 2001 on its London listing, when it was not widely followed by the investment community and the gold price was below USD300/oz.

The fund manager visited the Sukari site in the Eastern Desert, around 500 miles south of Cairo to view the company's operations first hand – the type of direct analysis that can provide valuable insights into a company – and had the conviction to build up his position.



As the company verified its reserves and moved closer to production, and with the gold price quadrupling, investor awareness increased. By the end of 2010, the share price had risen almost 30 times from the fund's original purchase and the company had migrated to a full LSE listing and became a FTSE 250 Index constituent. The fund took profits into this rise and completely sold the position early in 2011 as civil unrest in Egypt grew.

Business management: The Group is a single segment investment management business governed by the Board, with sole discretion for setting the strategic direction of the business. Whilst the Group's Executive Directors and key management are responsible for and have discretion over the day-to-day management of the business and support functions, all strategic, financial management and key operational decisions are taken centrally by the Board. The Board receives reports across product lines, distribution channels and geographic regions, and monitors financial performance and determines the allocation of capital centrally.

GROUP UNDERLYING PROFIT INCREASES 37%

Key performance indicators

Our KPIs are identified by the symbol  and commentary on our progress is provided in the accompanying text. Our KPIs are:

1. investment performance;
2. fee margins;
3. fund flows excluding Pearl;
4. operating margin and compensation ratio;
5. earnings per share (EPS); and
6. treating customers fairly (see page 20).

Key financial highlights

- 70% of funds achieving or beating benchmark over one year
- Underlying profit increased 37%
- Total fee margin improved to 61.7bps
- Net higher margin inflows of £2.0bn
- Operating margin improved to 30%
- Compensation ratio stable at 44%
- Basic EPS on underlying profit increased 36% to 10.2p

Investment performance

The investment performance of the Group's funds is good with 77% and 63% of Equity and 62% and 82% of Fixed Income funds achieving or beating their benchmarks over one and three years respectively. UK Retail performance was good with 70% of assets outperforming over one year. In our UK Retail fund range, performance was adversely impacted by legacy New Star funds and only 41% of assets outperformed over three years; however, excluding New Star funds, 65% of assets outperformed.

Horizon performance improved significantly in the year with 83% and 88% of assets outperforming over one and three years respectively. This has driven record flows into these funds. Performance of the US Retail fund range has been disappointing with 11% and 16% of assets outperforming over one and three years respectively. This is due to the Henderson International Opportunities Fund, representing approximately 65% of US Retail assets, underperforming.

In the Institutional business, all fund classes continued to perform well over one and three years, with 100% of enhanced index funds outperforming over one year and 92% over three years. In our Institutional Fixed Income funds, 64% outperformed over one year and 97% over three years. Hedge fund performance suffered over the one year period, with 67% outperformance; however, three year performance remains good with 81% of funds outperforming. Of our funds 91% are above or within 5% of their high watermarks.

In Property, the one and three year performance track record is pending publication of the IPD Annual Benchmarks in March 2011. However, estimates derived from the monthly data show that the one year performance numbers should improve significantly with circa 65% of funds achieving benchmarks or better in 2010. Encouragingly, investor confidence in the long-term performance of the Group's Property business has remained strong.

New Star Investment Management (NSIM) performance has improved significantly during the period with 98% of assets outperforming over one year. However, the three year investment performance is disappointing with 55% of assets outperforming.

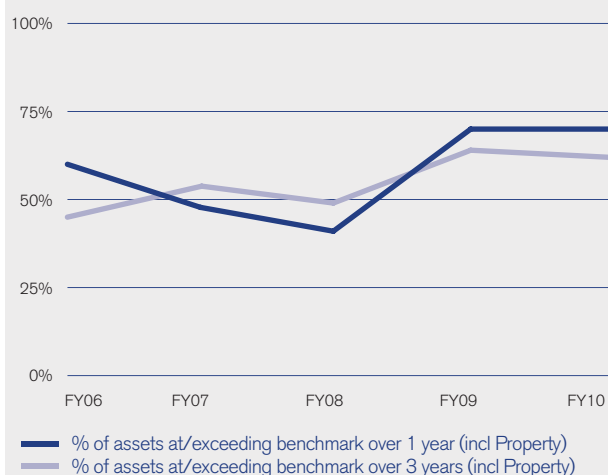
The number of buy rated products increased by 12 to 135 during the period. In addition, the Group won a number of investment performance awards including:

- FT Business Pension and Investment Provider Award – UK Fixed Income Manager of the Year;
- Investment Week Fund Manager of the Year – Multi Manager Group of the Year; and
- Lipper Best European region fund over five years: US.

Fixed Income and Equity funds continued to perform well with 62% and 77% respectively of assets achieving or beating their benchmarks over one year and 82% and 63% respectively over three years.



Investment performance over 1 and 3 years



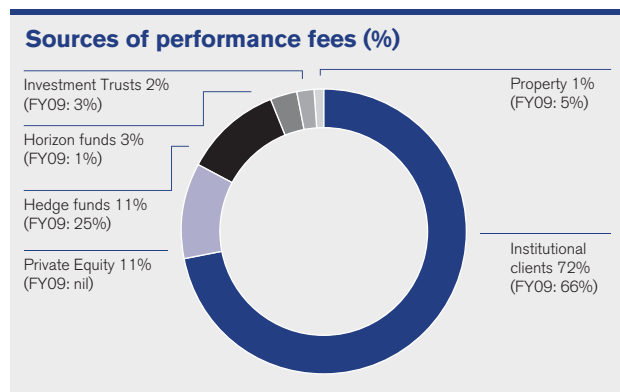
The Group financial result

Underlying profit before tax in FY10 was £100.7m, an increase of 37% on FY09 (£73.7m). Profit before tax was £76.5m, compared to £15.5m in FY09.

Revenue and fee margins

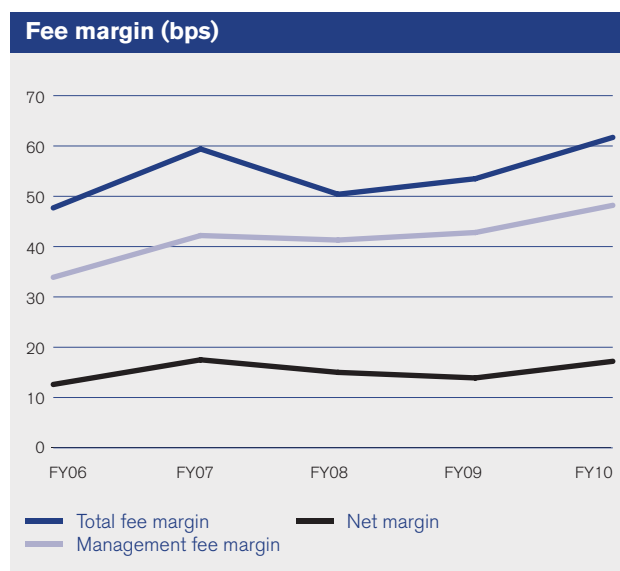
Total fee income increased by 28% to £362.1m from £283.3m in FY09. Management fee income increased by 25% to £282.5m from £226.8m in FY09, due to a full year of revenues from New Star assets (acquired in April 2009), the impact of higher margin net inflows and higher market levels. The FTSE 100 Index was on average 20% higher in FY10 compared to FY09.

Transaction fees increased by 48% to £36.8m from £24.9m in FY09, primarily due to fees earned on UK Wholesale funds (including New Star) and transactions related to our Property business. Performance fees increased by 35% to £42.8m from £31.6m in FY09, primarily due to fees earned from institutional mandates. The main contributors to performance fees are illustrated below.



Total fee margin increased from 53.5bps in FY09 to 61.7bps in FY10, largely due to higher transaction and performance fees and improving management fee margins following the New Star acquisition and higher margin net inflows. Average management fee and net margins in FY10 were 48.2bps (FY09: 42.8bps) and 17.2bps (FY09: 13.9bps) respectively. Over the past 24 months, the Group's strategy of growing higher margin assets, which now represent 59% of total AUM (FY09: 56%, FY08: 48%), has helped increase the management fee margin by 13% in FY10.

Total fee margin increased in FY10 due to higher transaction and performance fees together with a full year of revenue from New Star. Improving management fee margin illustrates the shift from lower to higher margin business. Net margins have improved as underlying profits grew in better market conditions.



Finance income

Finance income in FY10 decreased by £3.5m to £0.8m, primarily due to lower cash balances, lower interest rates and the impairment of a seed capital investment in a property fund.

Operating costs

Operating costs increased by £48.5m to £253.5m in FY10. The main components are shown in the table below:

	FY10 Audited £m	FY09 Audited £m
Employee compensation and benefits	161.1	126.3
Investment administration	23.3	22.6
Information technology	12.7	11.5
Office expenses	16.2	16.2
Depreciation	3.2	3.2
Other expenses	37.0	25.2
Operating costs	253.5	205.0

Employee compensation and benefits increased £34.8m to £161.1m (FY09: £126.3m). Within this, fixed staff costs increased by £6.3m, reflecting the impact of New Star for a full year and salary inflation, whilst variable staff costs increased by £28.5m, driven by improved Group profitability. The average number of full-time employees remained stable in FY10 at 938 (FY09: 933). The compensation ratio also remained stable at 44.4% (FY09: 43.9%) as shown in the graph on the following page, mainly as a result of higher variable staff costs. The Group continues to manage its cost base in line with its income to protect the Group from any significant market dislocation.

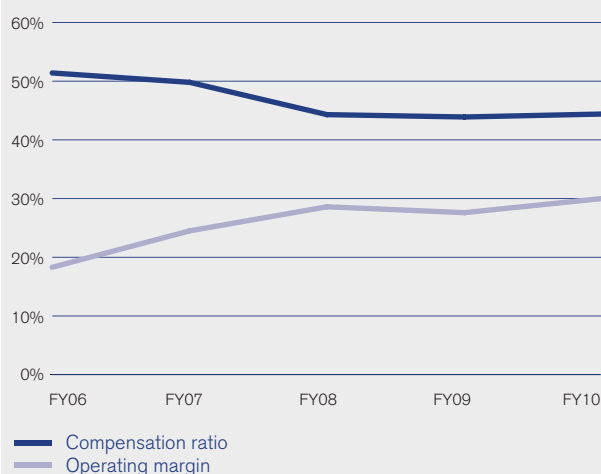
Investment administration costs increased by £0.7m to £23.3m, primarily due to the increased number of funds following the New Star acquisition. Information technology costs increased by £1.2m to £12.7m due to the write-off of capitalised software costs, the New Star acquisition and inflation.

Other expenses increased by £11.8m to £37.0m, of which £3.0m represents costs incurred in relation to the potential acquisition of RidgeWorth on which the Group terminated discussions in June 2010. In addition, the Group has continued to invest in targeted strategic business development, in particular, relating to the UK Retail business, through marketing, events and promotions, with an impact of £6.2m. The Group has also seen an increase in irrecoverable VAT of £4.0m, partly offset by net foreign exchange gains in FY10 of £1.6m (FY09: £0.3m loss).

The operating margin improved in FY10 to 30.0% (FY09: 27.6%) due to the increase in market levels, a full year of revenue from New Star funds, higher performance and transaction fees and the Group's continued cost control. The compensation ratio remained stable at 44.4% (FY09: 43.9%), in line with remuneration policies linked to improved Group profitability.



Operating margin and compensation ratio



Finance costs

Finance costs in FY10 were £8.7m, £0.2m lower than FY09, and continue to include the amortisation of the profit arising from an interest rate swap on debt in December 2008. The unamortised profit on the interest rate swap as at 31 December 2010 stood at £4.1m and will be amortised over the residual term of the debt, which matures on 2 May 2012.

Non-recurring items

There were four non-recurring items in FY10 resulting in a net pre-tax charge of £10.5m (FY09: £47.5m charge), but a post-tax credit of £6.5m (FY09: £35.2m charge) as shown opposite:

	FY10 Audited £m	FY09 Audited £m
FSCS interim levy	(7.6)	–
Goodwill impairment	(8.7)	–
Towry Law International provision release	5.8	–
Impairment of seed capital investments in three property funds	–	(7.3)
Infrastructure fund management fees	–	(20.7)
Insurance recoveries	–	14.3
New Star integration costs	–	(33.8)
Non-recurring items before tax	(10.5)	(47.5)
Tax on non-recurring items ¹	0.6	12.3
Non-recurring tax	16.4	–
Non-recurring items after tax	6.5	(35.2)

Note

1. The goodwill impairment is disallowable for tax purposes.

FSCS interim levy

In November 2010, the FSCS indicated that it would raise an interim levy on investment managers in respect of claims received primarily from investors in Keydata Investment Services Limited (in administration). The Group has provided for this levy in full during 2010.

Goodwill impairment

The goodwill allocated to the NSIM cash generating unit, (a specialised segregated company, formerly part of New Star), as a result of an earn out deal in respect of that company, has been impaired in full as a result of a 50% decline in AUM.

Towry Law International provision release

During the second half of 2010, the majority of a previously recognised product mis-selling provision, relating to legacy Towry Law International products, was deemed no longer required and was released. This resulted in a £5.8m credit in 2010.

Non-recurring tax

During the second half of 2010, HMRC closed enquiries into certain prior year tax filings, resulting in the Group releasing tax provisions of £16.4m.



Working with clients in a collaborative partnership to understand their needs

PKA Ltd (Pensionskassernes Administration A/S) is a €16.4bn Danish occupational pension fund, one of the largest funds of its type in Denmark.

PKA approached us in 2010 looking for investment ideas with the potential for strong, uncorrelated risk-adjusted returns. It was also important that we comply with their ethical exclusion criteria.

We built a bespoke pooled fund that allowed them to access one of the components of our successful multi-strategy process and devised an innovative fee arrangement that aims to maximise and align the interests of our client with those of our own.

The fund launched in August 2010 and delivered gross returns of 17.3% in the period to 31 December 2010.



Tax

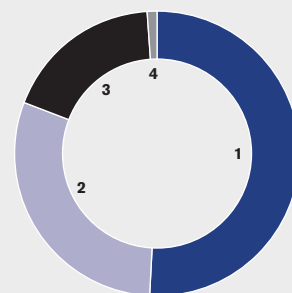
The tax charge on recurring profit for the period was £16.1m, giving an effective tax rate of 18.5% (FY09: £13.3m, 21.2%). The effective tax rate on recurring profit is less than the UK corporation tax statutory rate of 28%, primarily as a result of the net favourable effect of different statutory tax rates applying to profits generated by non-UK subsidiaries. In addition, deferred tax balances have been adjusted for the 1% decrease in the UK corporation tax rate effective from 1 April 2011.

AUM and fund flows

Total AUM at 31 December 2010 were £61.6bn, 6% higher than at 31 December 2009 (£58.1bn). The Group generated higher margin net inflows of £2.0bn and net inflows of £0.4bn in Institutional. These net inflows were offset by lower margin outflows from Cash funds (£1.0bn), NSIM (£1.0bn) and Pearl (£1.8bn) and the transfer of the Henderson International Property Fund to Aviva Investors (£0.2bn). Outflows from Pearl will have no material impact on expected future revenues due to the fee compensation arrangements in place with this client.

AUM by asset class (%)

1	Equities (2009: 46%)	51%
2	Fixed Income (2009: 36%)	30%
3	Property (2009: 16%)	18%
4	Private Equity (2009: 2%)	1%



The chart above shows AUM by asset class and includes cash holdings within products in Fixed Income AUM and fund of fund holdings in Equities AUM. Property asset class AUM excludes £0.4bn of cash holdings (2009: £0.3bn) and £0.6bn of fund of fund holdings (2009: £0.6bn) held in Property-related products. The increase in Equities AUM is due to net inflows into Horizon funds and the increase in equity market levels. Fixed Income AUM has fallen mainly due to outflows from Cash funds and Pearl. The increase in Property funds is mainly due to inflows during the year.

Summary of movements in AUM

	Opening AUM £bn	Net flows FY10 £bn	Fund transfer ¹ FY10 £bn	Market/FX FY10 £bn	Closing AUM £bn	Management fees ² FY10 £m	Management fees ² FY09 £m
Higher margin							
Investment Trusts	3.5	(0.3)	–	0.5	3.7	14.9	12.9
Horizon funds	3.4	1.0	–	0.7	5.1	39.1	24.2
UK Retail	10.3	0.3	(0.2)	0.2	10.6	79.2	59.8
US Retail	3.2	–	–	0.4	3.6	28.5	21.3
Hedge funds	0.9	0.1	–	0.1	1.1	13.1	10.4
Property (non-US) ³	7.6	1.3	–	0.3	9.2	37.4	32.1
Property (US)	1.3	–	–	0.1	1.4	5.3	5.5
Private Equity ⁴	0.6	–	–	0.1	0.7	5.5	9.5
Structured Products	1.8	(0.4)	–	(0.2)	1.2	6.3	4.4
Higher margin total	32.6	2.0	(0.2)	2.2	36.6	229.3	180.1
Lower margin and Pearl⁵							
Institutional clients	13.2	0.4	–	1.8	15.4	/	/
Cash funds	2.3	(1.0)	–	–	1.3	/	/
NSIM	2.0	(1.0)	–	0.1	1.1	/	/
Lower margin total	17.5	(1.6)	–	1.9	17.8	/	/
Pearl	8.0	(1.8)	–	1.0	7.2	/	/
Lower margin and Pearl total	25.5	(3.4)	–	2.9	25.0	53.2	46.7
Total	58.1	(1.4)	(0.2)	5.1	61.6	282.5	226.8

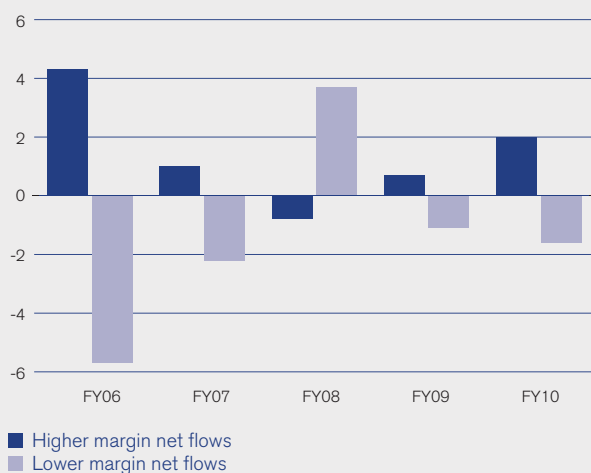
Notes

1. Transfer of the Henderson International Property Fund, acquired as part of New Star, to Aviva Investors.
2. Net of commission expense.
3. Property AUM at 31 December 2010 excludes £0.8bn of UK Retail funds and £0.4bn of Pearl Property managed funds.
4. Private Equity AUM (based on 30 September 2010 valuations) excludes £0.1bn of Pearl Private Equity managed funds.
5. The composition of lower margin and Pearl management fees by category is not shown due to client confidentiality.

Horizon and UK Retail funds had net inflows of £1.3bn in FY10. Property net inflows of £1.3bn in FY10 included the purchase of a 50% stake in Westfield Stratford City on behalf of clients. Net inflows into Institutional were more than offset by outflows from lower margin Cash funds and NSIM in FY10.



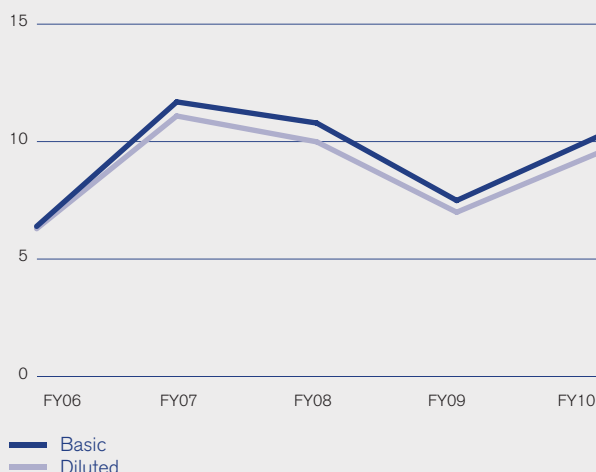
Net fund flows excluding Pearl (£bn)



EPS on underlying profit increased in FY10 as a result of the Group generating higher earnings due to improved market conditions and continued cost control.



Earnings per share (p)



Pension schemes

The Group has three types of pension schemes. A defined benefit scheme and a defined contribution scheme, together forming the Henderson Group Pension Scheme (Pension Scheme), and three smaller unapproved pension top-up schemes for previous executives.

There was a net surplus in the Pension Scheme of £112.5m at 31 December 2010 (2009: £90.0m). The increase in the Pension Scheme surplus during 2010 is due to better than expected returns on the asset portfolio and a lower assumption for future price inflation, based on the Bank of England's published price inflation curve, set at 3.6% per annum (2009: 3.7% per annum). These increases were partially offset by a lower discount rate used to value the Pension Scheme's liabilities for accounting purposes, set by reference to AA-rated corporate bonds with approximately 20 years' duration, down to 5.4% per annum from 5.6% per annum in 2009.

The liability in respect of the Group's unapproved pension schemes amounted to £6.2m at 31 December 2010 (2009: £6.1m).

Regulatory requirements

The Group is subject to regulatory oversight and inspection by the FSA and other international regulatory bodies. Consequently, the Group's internal controls, governance, procedures and capital are reviewed on a continuous basis. Both management and the Board of Directors ensure that the Group is compliant with its regulatory obligations at all times. The Group has a waiver from consolidated supervision in place, valid until April 2014. The regulatory capital surplus of the Group under the Parent Financial Holding Company test amounted to £304m at 31 December 2010 (2009: £323m).

Dividends

The Board is recommending a final dividend for 2010 of 4.65 pence per share, which will bring the total dividend for 2010 to 6.5 pence per share, an increase of 0.4 pence per share from 2009. The proposed final dividend will be paid on 27 May 2011 to shareholders on the register on 6 May 2011.

The Board has adopted a progressive dividend policy and will continue to apply a dividend formula where the interim dividend will be 30% of the total dividend of the previous year, assuming the Group has the resources to fund the dividend.

Gartmore Acquisition

On 12 January 2011, the Group announced that it had reached agreement with the board of Gartmore on the terms of a recommended acquisition by the Group of the entire issued share capital of Gartmore (Gartmore Acquisition). The acquisition will reinforce the Group's position as a diversified fund manager with product strength in traditional long-only and absolute return offerings and will significantly enhance the Group's presence in UK retail asset management. Subject to regulatory and shareholder approvals, the acquisition is expected to complete on 4 April 2011 with integration expected to be completed during 2011.

EFFECTIVE MANAGEMENT OF RISK IS CENTRAL TO ACHIEVING OUR BUSINESS OBJECTIVES

Risk management

We have a framework in place which embeds the management of risk at all levels within the organisation. The framework also ensures that we meet our business objectives without exceeding our risk appetite; and is subject to continuous review to ensure it recognises both new and emerging risks in the business. The risk management framework is set out in more detail in the Corporate Governance Statement on page 29. The Group's risk management and capital disclosures in accordance with chapter 11 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (Pillar 3 disclosures) are available on our website at www.henderson.com.

Key risks and their mitigation

The key risks faced by 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. These are set out below in alphabetical order of the key risks:

Key risks	Description	Mitigation
Acquisition	The Group's long-term strategy involves its willingness to consider the acquisition of businesses. In addition to financial risks, this introduces the risk of organisational stress through the potential demands made on staff and resources through the need to integrate acquired businesses.	We only consider acquisitions where they fit with our strategic goals and meet our financial criteria such that we can realise value for our shareholders. Thorough due diligence is performed before any acquisition is made and this includes assessing the ability of the Group to successfully integrate the acquired business.
Business disruption	Business disruption risk is the risk of the occurrence of events which could have a material impact on the operations of the business.	Our business continuity plans are designed to ensure that, should an event occur which disrupts business activity, we are able to maintain our operations without irreparable damage being done to the business. These plans are regularly tested. The Group also has insurance arrangements should loss of revenue occur through business interruption.
Credit	Credit risk is the risk of a counterparty to the Group defaulting on funds deposited with it or the non-receipt of a trade debt.	We have an established credit risk policy to ensure counterparties meet strict minimum rating requirements consistent with the Group's risk appetite; and the Credit Risk Committee meets regularly to approve, review and set limits for all new and existing counterparties. In addition, the Group has many clients that have fees deducted directly from their assets or alternatively are billed regularly with strict payment terms.
Foreign currency	Foreign currency risk is the risk that the Group will sustain losses through adverse movements in exchange rates.	We mitigate 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 the risk and reports to the Board monthly.

Key risks	Description	Mitigation
Investment performance	Investment performance risk is the risk that funds fail to achieve performance hurdles or benchmarks. The effect of this might be that clients redeem investments, which in turn would result in a reduction in fees earned by the Group. Poor fund performance will also result in lower performance fees.	We mitigate this risk through a robust investment process which includes detailed research. We also have a clearly articulated investment philosophy and analyse our funds by comparing their performance against appropriate benchmarks.
Key personnel	Key personnel risk is the risk of losing either a member of the Senior Management Team (SMT) or one of the Group's key investment or distribution professionals. This could have an adverse effect on both the growth of the business and/or the retention of existing business.	We operate competitive remuneration structures designed to recognise and reward outperformance. We also have succession planning to ensure that there is cover for key roles should they become vacant. In addition, staff surveys identify any issues which could adversely impact staff retention and comprehensive training is offered ensuring skills and knowledge reside in more than one individual.
Liquidity	Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due.	We manage liquidity on a daily basis within the Finance function, which ensures that the 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 12 months. Henderson does not bear any liquidity risk associated with its clients' funds and has no obligation to provide short-term liquidity to its clients.
Market	Market risk is the risk that market conditions lead to a decline in the value of Group available-for-sale financial assets and/or a reduction in the value of clients' AUM, which would result in a reduction in the level of the fees that are based on the value of clients' AUM.	We mitigate the market risk on the Group's available-for-sale assets by investing in a diversified range of assets; and mitigate 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 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.

Key risks	Description	Mitigation
Operational	Operational risk is the risk that the Group will sustain losses through inadequate or failed internal processes, people, systems and external events.	We operate a system of controls which is designed to ensure operational risks are mitigated to the required level. The operation and effectiveness of the controls are regularly assessed and confirmed through the work of the 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 Group's operations. Furthermore, if the contracts with any of the TPAs are terminated, the Group may not be able to find alternative TPAs on a timely basis or on equivalent terms.	We oversee the operation of our TPAs to ensure key performance standards are met. We hold regular meetings with our TPAs to discuss any service concerns or problems and work in partnership with TPAs to deliver solutions. The Group's assurance functions also review controls operated by our major TPAs. 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.
Regulatory	Regulatory risk is the risk that a change in laws and regulations will materially affect the Group's business or markets in which it operates. The Group's business is subject to many regulations in different jurisdictions and currently the pace of change is significant and may affect the business either directly or indirectly by reducing investors' appetite for its products, increasing capital requirements or in some other way.	We continuously monitor regulatory developments and where there is likely to be an impact, we have working groups in place to implement the changes. The Compliance team in particular monitor ongoing regulatory obligations and engage in dialogue with the main regulator.
Reputational	Reputational risk is the risk that negative publicity regarding the Group will lead to a loss of revenue or litigation. The risk of damage to the Group's reputation is more likely to result from one of the risks described above materialising rather than as a standalone risk.	We believe that reputational risk is mitigated through the effective mitigation of the other key risks. In addition, we regularly update clients and the market and in doing so, mitigate the risk of reputational damage.

A SUSTAINABLE APPROACH TO BUSINESS

We are committed to interacting responsibly with employees, clients, suppliers, shareholders, communities and the wider environment. We have developed policies and activities to address key issues in four broad areas. Our commitment and efforts to ensure good practices have been recognised externally through our continued inclusion in the FTSE4Good UK Index. We aim to comply with the principles of the UK Stewardship Code.

The commentary below is intended to provide a summary, focusing on our performance for 2010 and plans for 2011. Details on our policies, systems and performance are on our website at www.henderson.com.

Treating customers fairly

We believe the Treating Customers Fairly (TCF) initiative promoted by the FSA is embedded within the culture and procedures of the Group. TCF, among other priorities, is intended to promote fair treatment of customers by regulated firms throughout the product life cycle, from design to post-sales support. We always aim to:



- treat our clients fairly;
- ensure that any information provided in respect of a product is clear, fair and not misleading; and
- align our interests with those of our clients.

Marketplace

Targets

- We are committed to maintaining high standards of **business conduct** in all operations; we have adopted a Code of Conduct covering employees, clients, suppliers and shareholders.
- We seek to operate high standards of **corporate governance**.
- Our business goal is to deliver sustainable, long-term **investment performance** to our clients. We believe we need to be responsible investors and also consider environmental, social and governance (ESG) issues that have the potential to add value to our investment decisions. Our adoption of the UN Principles for Responsible Investment creates a framework for implementing this. As well as managing Sustainable and Responsible Investment (SRI) funds where ESG issues are proactively considered, we have a responsible investment policy that outlines our commitment to integrate ESG in our non-SRI equity funds. We aim to take an active approach to corporate governance and voting in investee companies. Our property assets also have responsible property development and investment policies, and we have set specific targets on areas such as carbon, water and waste.

Progress in 2010

- The key ESG issues we analysed and engaged companies with during 2010 were corporate governance, climate change, business ethics and human capital management.
- We continued to participate in initiatives such as the Carbon Disclosure Project, the Forest Footprint Disclosure and the Institutional Investor Group on Climate Change.
- We developed our framework for evaluating and reporting on our ESG company engagement activities.
- Our property team commenced rolling out an extensive programme to measure carbon emissions, water consumption and waste sent to landfill, setting targets to improve the environmental and social impacts of assets under management.
- We continued to explore ways to integrate ESG into asset classes beyond equities and property.

2011 plans

- We will continue to maintain high standards of customer care.
- We will continue to explore ways to integrate ESG factors across our asset classes as well as how we report more effectively on the UK Stewardship Code. More specifically, our property team will set new 2011 targets for its activities, and continue to report publicly on its performance.

Workplace

Targets

- We aim to ensure that all our policies meet best practice and comply with relevant employment legislation and the Universal Declaration of Human Rights, creating a working environment free from discrimination and harassment.
- To achieve **top performance**, we need our people to be top performers. As part of the feedback from our staff survey, we aim to significantly enhance our learning programme.
- We aim to introduce creative solutions to **attract talent** and provide a stepping stone into the business.
- We are committed to **building staff share ownership** and creating a reward approach of both financial and non-financial elements which **recognises individuals' performance**.

Progress in 2010

- We have introduced a new development platform "The Pathway", significantly increasing our training coverage.
- We have developed our recruitment activities and website to encourage employees to consider opportunities within the Group, resulting in a high number of vacancies being filled internally. We also encourage employee referrals.
- To recruit fresh talent, we have launched a Trainee Programme, giving around 40 people, a year's work experience across the business with the possibility of gaining a permanent role.
- Employee views have been sought through a confidential all-staff survey. 81% of staff participated in the survey (industry benchmark: 70%).
- 90% of employees contribute to our share schemes with 13.6% of the Company owned by employees if all existing share schemes vest, a 3% increase from 2005. Our share schemes have been recognised at the ifs ProShare and Employee Benefit Awards for the last four years.
- We also launched an international share scheme targeting our non-UK employees.
- Our award winning financial education package provided a wide range of planning tools to employees.

2011 plans

- Staff survey results will be used to identify areas with potential for improvement.
- "The Pathway" development programme will be fully launched and expanded to our offices outside the UK.
- We will target increasing share scheme participation, especially non-UK employees' holdings of our shares.

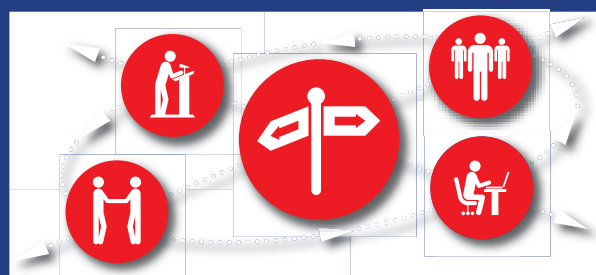


Attracting and retaining the best people in their fields

The Pathway was launched in 2010 as a development platform for our employees, encouraging them to self-select the opportunities that will be most beneficial to them. The Paths are structured around the core experiences an employee is likely to have during their career at Henderson Group.

The platform offers a range of new training formats. One of the most successful has been discussions by our senior leaders on topics they are passionate about and add value to the business. This enables employees to create connections with senior managers and gain value from their skills and talents. External speakers have led sessions to trigger new approaches and ideas, including leadership lessons from Yogi Breisner, coach of the UK's Olympic medal winning equestrian team, and new ways of connecting teams with Adam Travis from Nokia. These have been widely attended and positively rated by staff looking for the edge in how they approach their work.

We have also launched bite sized sessions enabling staff to receive training as part of their working day. Sessions covered Effective Risk Management, Introduction to Fund Management, Managing Change/Coaching and Strategic Thinking.



DEVELOPMENT PATHWAY

For our current and future leaders, we have designed two new leadership programmes, Stepping into Leadership and High Impact Leadership, focused on developing high performance leadership capabilities within our top management population. The programmes are facilitated at the Royal Military Academy Sandhurst – an institution that thrives on training for excellence. Participants experience leading methodologies used within the Military and reflect on the implications for leadership.

Participants are given a team challenge to complete to enable them to see leadership as a behaviour. Partnering with the charity Fairbridge, participants raised money for disadvantaged youths enabling them to see the powerful impact of team action.

Environment

Targets

- We follow responsible **environmental practices** for all Group operations and aim to minimise any adverse impact our activities have on the environment.
- We will continue to measure our emissions and carbon footprint for all energy consumption, business travel and waste generation and aim to retain our status as a **Carbon Neutral Company** by procuring credits through verified carbon offset schemes.

Progress in 2010

- We maintained our status as a Carbon Neutral Company by offsetting our net global emissions of 2,772 tonnes CO₂e.
- At our London office, we procured energy from renewable sources and offset our residual carbon footprint. We introduced an automated energy monitoring scheme aimed at focusing on benchmarking and reduction targets.
- We rolled out our new web-based carbon reporting tool to all worldwide offices. Relevant staff received formal training through the Chartered Institution of Wastes Management.
- All waste reduction, re-use and recycle schemes operated effectively. We won a gold award in the City of London Clean City Awards Scheme.

Health and safety

- We are committed to ensuring the safety and wellbeing of all employees and compliance with all health and safety legislation relating to the workplace.
- Appropriate monitoring of health and safety control procedures takes place and is maintained through a programme of internal and external safety checks and audits.

2011 plans

- We will maintain our status as a Carbon Neutral Company and will focus on our energy reduction programme for our London office. We will maintain and develop our waste management, re-use and recycling programme.

Community and supply chain

Targets

- We focus our efforts on **fostering positive relationships** with the local London community, as this is where the majority of staff are located. Activities focus on employee involvement and charitable donations. We encourage staff involvement in charitable activities matching, pound for pound, money raised.
- We are committed to ensuring our **suppliers and service providers** operate responsible labour and environmental practices, and have practices in line with our corporate responsibility policy. We seek to implement a green procurement policy for purchase of office supplies and equipment.

Progress in 2010

- Our preferred charity since 1987 has been Community Links, the inner city charity running community-based projects in East London, the location of our London office. During 2010, we donated a total of £35,938 to community and charitable purposes, compared with £52,609 for the previous year. The amount of employee matching grants made in 2010 was £19,546, a decrease from 2009 of £10,889.

2011 plans

- We will continue to promote staff involvement in the local community and will encourage further participation in our Give As You Earn scheme, for example, donating an hour's pay to a number of chosen charities.

AT 22 FEBRUARY 2011, THE BOARD CONSISTED OF THE NON-EXECUTIVE CHAIRMAN, TWO EXECUTIVE DIRECTORS, BEING THE CHIEF EXECUTIVE AND THE CHIEF FINANCIAL OFFICER, AND FOUR OTHER NON-EXECUTIVE DIRECTORS.

References to the Directors' membership of the Board or its Committees are to Henderson Group plc.

Resignations: there were no resignations during 2010.

BA (Econ), MA (Econ) – Chairman. Non-Executive Director since October 2004 and Chairman since March 2005. Chairman of the Nomination Committee since March 2005.

Experience

Mr Pennant-Rea has extensive financial and business experience. He was Deputy Governor of the Bank of England from 1993 to 1995, prior to which he spent 16 years with The Economist, where he was editor from 1986 to 1993. Mr Pennant-Rea was appointed Non-Executive Chairman of the Economist Group in July 2009. Among his other directorships are Go-Ahead Group plc and Gold Fields Limited (South Africa).

BA (Econ), MA (Econ), MBA, FIAA, FIA – Chief Executive. Executive Director since November 2008.

Experience

Mr Formica has been in the fund management industry since 1993. He has held various senior roles at the Group in the past 11 years and he has been a member of the Senior Management Team since 2004. Prior to being appointed Chief Executive of the Company, he was Joint Managing Director of the Listed Assets team (from September 2006) and was Head of Equities (since September 2004). In the early part of his career, he was an equity manager and analyst for the Group.

BSc, ACA, MCT – Chief Financial Officer. Executive Director since August 2009.

Experience

Chief Financial Officer since September 2009. Mrs Garrood is a chartered accountant and corporate treasurer and has worked in the City for over 30 years. She joined the Group in 2001 and has been a member of the Senior Management Team since 2002, latterly as Chief Operating Officer. Prior to this, she was Chief Operating Officer at Morley Fund Management (Aviva) and trained as an accountant with KPMG.

- ▲ Audit Committee member
- Nomination Committee member
- Remuneration Committee member
- + Risk Committee member

Rupert Pennant-Rea

Non-Executive Chairman



Andrew Formica

Executive Director



Shirley Garrood

Executive Director



MA (Cantab), MSc – Non-Executive Director since November 2008. A member of the Nomination and Remuneration Committees since November 2008. A member of the Audit Committee since May 2009 and a member of the Risk Committee since June 2010. He was appointed as the Company's Senior Independent Director on 1 January 2010.

Experience

Mr How has extensive business experience. He was Chief Executive of Majestic Wine PLC from 1989 until August 2008 and was formerly Managing Director of Bejam Group Plc. He is a Non-Executive Director of Dixons Retail plc (previously DSG International plc), the Non-Executive Chairman of Framlington AIM VCT plc and the Deputy Chairman of the Peabody Trust. He resigned as a Non-Executive Director of Framlington AIM VCT 2 plc on 1 August 2010.

BSc, AIA – Non-Executive Director since October 2004. Chairman of the Remuneration Committee since June 2005, a member of the Nomination Committee since May 2005, a member of the Audit Committee since January 2010 and a member of the Risk Committee since June 2010.

Experience

Mr Aherne has spent his career managing investments, pension funds and unit trusts. Mr Aherne spent 16 years, to September 2002, with Schroder Investment Management. Prior to this, he spent 18 years with Equity & Law in various actuarial and investment management roles. He is currently Chief Executive of Javelin Capital LLP and a Director of Electric and General Investment Trust plc. He is also an Executive Director of Majedie Investments plc and a Non-Executive Director of Mecom Group plc. He was a founding Director of PRI Group plc, a Directors' and Officers' Liability insurer from August 2002 until June 2003, when it was acquired by BRIT.

MA (Cantab), FIA, DipAgSci – Non-Executive Director since July 2004. A member of the Nomination Committee since May 2005 and the Audit and Remuneration Committees since June 2005. He was appointed Chairman of the Risk Committee on 29 June 2010.

Experience

Mr Ferguson is an experienced actuary. He is the Senior Independent Director of The Royal London Mutual Insurance Society Limited, a Non-Executive Director of Windsor Life and the Chairman of the With-Profits Committee of the Phoenix Group. Mr Ferguson's career was in senior management of insurance companies and as a consulting actuary. He was Senior Partner of Bacon & Woodrow then B&W Deloitte, from 1994 to 2003. Mr Ferguson is a Fellow of the Institute of Actuaries. He served on the Council of the Institute from 1989 to 2000 and as President from 1996 to 1998. He was also a Non-Executive Director of Halifax from 1994 until it merged with Bank of Scotland in 2001 and then of HBOS Financial Services until December 2007.

MA (Cantab), FCA – Non-Executive Director since July 2009. A member of the Audit and Nomination Committees since August 2009, a member of the Remuneration Committee since January 2010 and a member of the Risk Committee since June 2010. He succeeded John Roques, former Director, as Chairman of the Audit Committee with effect from 1 January 2010.

Experience

Mr Jeens has extensive experience of financial services initially as an audit partner in Touche Ross & Co and subsequently as Finance Director of Kleinwort Benson Group plc and Woolwich plc. He has been a Non-Executive Director of The Royal London Mutual Insurance Society Limited since 2003 and is currently also a Non-Executive Director of TR European Growth Trust PLC and Gartmore Fledgling Trust plc. His previous Non-Executive appointments include the Chairman of nCipher plc and the Deputy Chairman of Hepworth plc. He resigned as a Non-Executive Director of Dialight plc on 25 August 2010.

Tim How

Non-Executive Director



Gerald Aherne

Non-Executive Director



Duncan Ferguson

Non-Executive Director



Robert Jeens

Non-Executive Director



Principal activities

The principal activity of the Group in 2010 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 46. The business review, which is incorporated into and forms part of this Directors' Report, of the financial year and future developments is covered in the Chairman's Statement on page 3, the Chief Executive's Review on pages 4 to 11 and the Financial Review and Key Performance Indicators (including Risk Management) on pages 12 to 19.

Corporate Governance Statement

The Corporate Governance Statement appears on pages 26 to 33 and forms part of this Directors' Report.

Branches

The Group continues to operate a number of overseas branches.

Reporting

Shares in Henderson Group plc are listed on both the LSE and the ASX (in the form of CHESS Depositary Interests (CDIs)) and therefore the Company is required to comply with both sets of disclosure requirements.

Events after the reporting date

The Board has not received, as at 22 February 2011, being the date on which the Annual Report and Accounts were approved, any information concerning significant conditions in existence at the reporting date which have not been reflected in the consolidated financial statements as presented. The Board has, however, given due regard to the events which occurred after the reporting date as described in note 34 to the financial statements.

Share capital

Details of movements in the allotted share capital during the year are given in note 25 to the consolidated financial statements. Further information regarding the share capital structure of the Company is given in pages 31 to 33 in the Corporate Governance Statement which forms part of this Directors' Report.

Substantial shareholdings

Details of substantial shareholdings notified to the Company in accordance with Rule 5 of the Financial Services Authority's Disclosure and Transparency Rules (Disclosure and Transparency Rules) are set out on page 31 in the Corporate Governance Statement which forms part of this Directors' Report.

Supplier payment policy

The Company has no trade creditors. It is the Group's policy 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 2010 represent approximately 30 days of average daily purchases throughout the year (2009: 30 days).

Directors

Details of the Board members who served during the year and at the date of this report are set out on pages 22 and 23.

Directors' remuneration and interests

A report on Directors' remuneration appears on pages 34 to 42, including details of Directors' interests in shares and share options or any right to subscribe for shares in the Company.

Conflicts of interest

The Directors have put in place procedures to deal with conflicts of interest and these have operated effectively throughout 2010. A Register of Conflicts of Interest is maintained by the Company and reviewed by the Board on an annual basis. Any Director who is considering accepting a new external appointment must provide full details of the appointment to the Chairman and Company Secretary. In some cases, the interest or duty of someone who is connected with a Director may give rise to a potential conflict of interest and details of that must also be provided to the Chairman and Company Secretary. The Chairman will then decide whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. If it is considered and approved by the Board, such interest or potential interest is added to the Register of Conflicts of Interest.

Financial instruments

A statement on the risk management objectives, policies and related matters in respect of the use of financial instruments, including policies for hedging and the exposure to price, interest rate, liquidity, foreign currency and credit risks, can be found in note 28 to the consolidated financial statements.

Political donations

The Group made no political donations, incurred no European Union political expenditure and made no contributions to non-European Union political parties during the year.

Charitable donations

Donations by the Group during the year towards community and charitable causes amounted to £35,938 (2009: £52,609), which comprised social and welfare £7,611 (2009: £22,635), education and non-UK £6,845 (2009: £3,920), and medical and other projects £21,482 (2009: £26,054).

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/0100, amounts in this Directors' Report and other sections of this Annual Report and Accounts have been rounded to the nearest £0.1m, unless stated otherwise.

Annual General Meeting

A separate document, the Notice of Annual General Meeting 2011, covering the Annual General Meeting (AGM) of the Company to be held on 4 May 2011, will be sent or made available to all shareholders and will contain an explanation of the business before that meeting.

Indemnification and insurance of Directors and Officers

The Company provides a Deed of Indemnity to Directors to the extent permitted by Jersey law, including (i) indemnification against any liabilities incurred in defending any proceedings in which judgment is given in that Director's favour or the Director is acquitted, (ii) 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 and (iii) 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 Board and Committee 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.

During, or since the end of the financial year, the Company has paid or agreed to pay premiums in respect of a contract insuring all of the Officers (including all Directors) of the Group against certain liabilities. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability.

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 2011 AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 22 and 23.

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 or she ought to have taken as a Director in order to make themselves 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.

Signed in accordance with a resolution of the Directors:



Andrew Formica
Chief Executive
22 February 2011



Rupert Pennant-Rea
Chairman
22 February 2011

Combined Code and ASX Principles

The Directors support and are subject to the high standards of corporate governance contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (Combined Code) and the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in August 2007 (ASX Principles). Compliance with the new UK Corporate Governance Code, published in June 2010, and with the ASX Principles including 2010 amendments, which apply from the financial year commencing on 1 January 2011, will be disclosed in the 2011 Annual Report and Accounts. Copies of the Combined Code and the ASX Principles can be found on the websites of their respective organisations at www.frc.org.uk and www.asx.com.au. Copies of the Company's corporate governance policies can be found at www.henderson.com (the Group's website).

The Company complied with the Combined Code and the ASX Principles in 2010. This Statement, together with the Report on Directors' Remuneration, describes how the Company applied the 'main principles' set out in section 1 of the Combined Code and complied with the ASX Principles. Further details are in the corporate governance section on the Group's website. The ASX Principles also encourage companies that are not subject to the Australian Corporations Act 2001 to adopt practices and make disclosures to achieve the aims of the provisions contained in certain sections of that Act. The Company achieved the aims of those provisions, although not fully in respect of senior executives' remuneration (refer to the generic disclosures on senior executive remuneration on page 42).

The Board's structure

The Board comprises the Non-Executive Chairman, the Chief Executive, the Chief Financial Officer and four other Non-Executive Directors. Tim How was appointed as the Senior Independent Director on 1 January 2010. Biographical details of the Directors are set out on pages 22 and 23.

Although the Chairman, Rupert Pennant-Rea, met the independence criteria on appointment, the Combined Code provides that the test of independence is not appropriate thereafter. The Board considers all the other Non-Executive Directors – Gerald Aherne, Duncan Ferguson, Tim How and Robert Jeens – to be independent, as they do not have any interest or business or other relationship which could, or could reasonably be perceived to, interfere materially with their ability to act in the best interests of the Company. The Board has considered the criteria proposed by the Combined Code and the ASX Principles in assessing the independence of the Directors. Materiality, as referred to in the ASX Principles, has been assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. The independent Directors meet the quantitative materiality threshold for independence that no Director has a relationship with the Group which generates or accounts for more than 5% of the Group's revenue or expenses. Accordingly, the Board has a majority of Directors who are independent.

There is a division of responsibility between the Chairman, who is responsible for the effective operation of the Board, and the Chief Executive who is responsible to the Board for the overall management and performance of the Group. The Chairman's other significant commitments, and any changes to them during 2010, are shown in the Board of Directors section on page 22.

Non-Executive Directors are initially appointed for a fixed term, normally of three years, and any subsequent terms are considered by the Nomination Committee. The remuneration of the Non-Executive Directors is shown on pages 38 and 39. The terms and conditions of their appointment are on the Group's website, as is the process for their appointment and reappointment.

At the Company's AGM held on 11 May 2010, shareholders reappointed Gerald Aherne, Duncan Ferguson, Shirley Garrood and Robert Jeens as Directors. The Company's next AGM is due to take place on 4 May 2011 when all Directors will be seeking reappointment in accordance with the recommendations of the new UK Corporate Governance Code.

Evaluation of the Board's performance

The Board reviews, on an annual basis, whether the evaluation of Board performance should be conducted using an external facilitator. The Board decided that, for 2010, there was greater value conducting the process internally. However, the Board anticipates that an external evaluation will be undertaken in 2011.

The Directors conducted a formal evaluation, between August and December 2010, of the performance of the Board, Board Committees and individual Directors (including the Chairman).

The evaluation exercise of the Board and Board Committees involved Directors completing a questionnaire about Board composition, Board process, Group strategy and interaction with shareholders; a similar approach was followed for each Committee. The results of the evaluation were collated and presented to the Board, which included a small number of non-material enhancements to the Board process.

To evaluate individual Directors, the Chairman held a formal evaluation meeting with each Non-Executive Director and the Chief Executive and Chief Financial Officer, taking into account the views of the Directors who had all completed a questionnaire about the skills and experience of the members of the Board. The Chairman's performance evaluation was led by Tim How, the Senior Independent Director. For this, the Directors completed a questionnaire which focused on the Chairman's performance and the Chairman also conducted a self-evaluation which was shared with the Senior Independent Director. After taking account of the results of these questionnaires, the Senior Independent Director met with the Non-Executive Directors (excluding the Chairman) and evaluated the Chairman's performance. He then met with the Chairman to discuss the outcome of the evaluation.

The performance of Andrew Formica, Chief Executive, was evaluated by the Chairman and the Remuneration Committee. The evaluation of the members of the SMT was undertaken by the Chief Executive and the Remuneration Committee. The performance evaluations were conducted in accordance with the process as disclosed on the Group's website.

The outcome of the evaluations was that the Directors concluded that the Board and its Committees operate effectively and that each Director contributes to the overall success of the Group.

To ensure that the Directors continually update their skills and knowledge of the Company and Group, all Directors receive regular presentations on different aspects of the Group's business and on financial, legal and regulatory matters. For example, during 2010, the Directors received presentations on various business matters, including the new FSA Remuneration Code 2010, domestic and regulatory developments, absolute return funds and the Group's approach to information technology.

Operation of the Board

The Board of the Company met 14 times in 2010, of which eight were scheduled meetings. All of the Board meetings and Audit, Nomination, Remuneration and Risk Committee meetings of the Company took place in Dublin with the exception of one set of meetings which took place in Singapore. Attendance by each of the Directors at Board meetings during 2010 is set out in Table 1 below.

The Board is scheduled to meet seven times in 2011. Additional meetings will be held as required, or at the request of a Director. During 2010, the Non-Executive Directors also met the Chairman

without the Executive Directors being present and this will continue in 2011.

The Board is responsible for making all key strategic, management and commercial decisions. During 2010, the matters considered by the Board included:

- discussion and approval of business strategy;
- annual budget and five year forecast;
- half year and full year financial report and accounts;
- dividends;
- interim management statements;
- trading updates;
- monthly performance reports;
- review of a report provided by the FSA and the implementation of follow up actions;
- review of corporate governance arrangements;
- establishment of a Risk Committee;
- review and approval of the Risk Appetite Statement;
- review and approval of the Internal Capital Adequacy Assessment Process (ICAAP);
- regular reports on treating customers fairly;
- review of advisers;
- review of investment performance;
- review of delegated authorities; and
- all significant capital projects, investments and disposals.

A schedule of matters reserved for approval by the Board is reviewed annually and is also on the Group's website. The Chief Executive and the SMT are responsible for developing business strategy and, once approved by the Board, for ensuring that the strategy is implemented in accordance with the approved operating plan and compliant with internal controls. The Board has granted specific delegated authorities (with financial limits approved by the Board) to the Chief Executive, the Chief Financial Officer and other senior executives in respect of financial, accounting, treasury, regulatory and other matters relating to the Group's business.

To enable the Directors to perform their role effectively, they are given the means and information necessary for them to make informed decisions and to follow best corporate governance practice. At each of its meetings, the Board receives detailed reports on the various aspects of the business and of any major issues affecting it.

The Board has approved the Company's corporate governance policies. These include an overview of the Company's corporate governance procedures, a policy on trading in the shares of the Company by Directors and employees and a code of conduct. The Company has a Market Disclosure and Communication Policy designed to ensure compliance with the Company's relevant disclosure obligations and has a Chief Disclosure Officer who oversees this. During 2010, the Board adopted a diversity policy

which is available on the Group's website. Together, these corporate governance policies set a framework within which the Directors and other employees are expected to protect the interests of shareholders, clients, employees and suppliers. These policies were reviewed and updated in 2010 as were other corporate governance documents, all of which are on the Group's website.

All Directors have access to the advice and services of both the Company Secretary and the General Counsel. The Company Secretary can be appointed or removed only with the approval of the Board. The Directors are entitled to seek independent professional advice, at the Company's expense, where they judge it necessary to discharge their responsibilities as Directors.

Board Committees

The Board has delegated specific responsibilities to four standing Committees of the Board. The membership of the Board Committees and a summary of their main duties and terms of reference are set out below. Their full terms of reference are on the Group's website.

Audit Committee

Robert Jeens is the Chairman of the Audit Committee, having succeeded former Director John Roques, the previous Audit Committee Chairman, on 1 January 2010. The other members are Gerald Aherne, Duncan Ferguson and Tim How. All members of the Committee are independent and have "recent and relevant financial experience" and "financial expertise" as recommended by the Combined Code and the ASX Principles respectively. Robert Jeens has competence in accounting and auditing as required by the Disclosure and Transparency Rules. The details of the qualifications of the Committee members are set out on pages 22 and 23. The Audit Committee met six times in 2010, all of which were scheduled meetings. Attendance by each of the members during 2010 is set out in Table 2 below.

The Audit Committee is responsible for making recommendations to the Board on such matters as the appointment of the external auditors and their terms of engagement and for reviewing the performance, independence and objectivity of the external auditors.

The Audit Committee is also responsible for assessing the effectiveness of the Group's internal control framework and the Internal Audit function, which is subject to an external review every three to five years; such a review was undertaken in November 2010. The Audit Committee reviews the Annual Report and Accounts and other related financial disclosures; however, ultimate responsibility for reviewing and approving the Annual Report and Accounts and other public reports and statements remains with the Board.

Table 1: The Board

	Date appointed ¹	Number of meetings held in 2010	Number of meetings attended in 2010	Percentage of meetings attended in 2010
Rupert Pennant-Rea (Chairman)	01/10/2004	14	14	100%
Gerald Aherne	01/10/2004	14	13	93%
Duncan Ferguson	01/07/2004	14	14	100%
Andrew Formica	05/11/2008	14	14	100%
Shirley Garrood	26/08/2009	14	14	100%
Tim How	28/11/2008	14	14	100%
Robert Jeens	29/07/2009	14	14	100%

Note

1. For any period prior to and including 31 October 2008, these appointment dates are references to the previous holding company of Henderson Group with registered number 2072534 (since renamed as HGI Group Limited). For any period after 31 October 2008, such references apply to Henderson Group plc, being the current holding company of the Group with registered number 101484 (referred to as the Company). This also applies to the Audit, Nomination, Remuneration and Risk Committees referred to hereafter.

The Audit Committee, up until the formation of the Risk Committee in June 2010, also had responsibility for the matters set out in the business of the Risk Committee (refer to below).

Audit Committee's principal activities during 2010

During the year, the Audit Committee:

- received and reviewed reports from management and the external auditors relating to the Annual Report and Accounts of the Group and the Company as well as the interim report and accounts, interim management statements, related disclosures and the financial reporting process;
- assessed the effectiveness and independence of both the external auditors and Internal Audit function;
- reviewed compliance with legal and regulatory requirements and accounting standards;
- assessed the effectiveness of the Group's system of internal controls;
- received regular reports from the Finance, Internal Audit, Legal and Compliance functions;
- reviewed and approved the external auditors' remuneration and engagement letter;
- reviewed and authorised details of the non-audit services provided by the external auditors during the year – refer to note 4.2 to the financial statements. The amount paid for non-audit services and the type of services provided were not considered by the Audit Committee to affect the external auditors' objectivity or independence;
- reviewed arrangements for whistleblowing should an employee wish to raise concerns, in confidence, about any possible improprieties; and
- reviewed the risk of the withdrawal of the external auditor from the market.

The internal and external auditors attended all Audit Committee meetings during the year and, on one occasion, met the Non-Executive Directors without the Executive Directors being present.

As explained above, an annual review was undertaken regarding the effectiveness and independence of the external auditors. The Board is satisfied with the performance and independence of the external auditors. The audit engagement partner and senior audit team members are rotated every five years. No contractual obligations exist to restrict the choice of auditors of the Group and the Company. The Board has adopted a Charter of Statutory Auditor Independence, which requires both the Company and the external auditors to take measures to safeguard the objectivity and independence of the external auditors. These measures include a prohibition regarding any non-audit services in respect of specific areas (e.g. secondments to management positions) or which could create a conflict or perceived conflict. It also includes information on the procedures for the selection, appointment and rotation of the external audit engagement partner. The Charter is on the Group's website.

The external auditors will be asked to attend the Company's AGM on 4 May 2011 and will be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Independent Auditors' Report as shown on page 44.

Nomination Committee

Rupert Pennant-Rea is the Chairman of the Nomination Committee. All the other Non-Executive Directors are members of the Committee. The Committee met four times in 2010. Attendance by each of the members is set out in Table 3 below.

The Nomination Committee has responsibility for considering the size, composition and balance of the Board, and the retirement and appointment of Directors and making recommendations to the Board on these matters. In identifying suitable candidates for appointment to the Board, the Nomination Committee is responsible for ensuring that Directors have the right mix of expertise and experience. The Committee also considered succession planning for key management and staff members.

Remuneration Committee

Gerald Aherne is the Chairman of the Remuneration Committee. The other members are Duncan Ferguson, Tim How and Robert Jeens. The Committee met six times in 2010. Attendance by each of the members during 2010 is set out in Table 4 below.

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's remuneration plans, policies and practices and for determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and members of the SMT. These include pension rights, compensation payments (if any) and the implementation of executive incentive schemes. The Remuneration Committee operates on the principle that members of the SMT should be provided with incentives to encourage superior performance and should, in a fair and responsible manner, be rewarded for their individual contributions to the success of the Group.

The Report on Directors' Remuneration (refer to pages 34 to 42) provides details on how the Remuneration Committee exercised its responsibilities during 2010. During 2010, the Remuneration Committee took advice on technical aspects of remuneration policy from independent external consultants appointed by the Remuneration Committee. These were Towers Watson, a specialist remuneration consulting firm, and PricewaterhouseCoopers (PwC) both of which provided advice on a variety of matters (particularly the FSA Code on Remuneration), and Lane Clark & Peacock LLP, which provided advice to the Group on pension matters. Remuneration survey data published by McLagan Partners was also presented to the Remuneration Committee. None of Towers Watson, Lane Clark & Peacock LLP or McLagan Partners have any connection with the Company other than to provide data and information on remuneration and on pension matters and developments. PwC provide other consultancy and specialist advice to the Group on an ad hoc basis but have no other connection with the Group.

Table 2: Audit Committee

	Date appointed	Number of meetings held in 2010	Number of meetings attended in 2010	Percentage of meetings attended in 2010
Robert Jeens (Chairman)	26/08/2009	6	6	100%
Gerald Aherne	20/01/2010	6	5	83%
Duncan Ferguson	09/06/2005	6	6	100%
Tim How	11/05/2009	6	6	100%

Risk Committee

The Board formed a Risk Committee in June 2010 following its assessment of the November 2009 Walker Report. Previously, the Audit Committee was responsible for the matters set out below.

Duncan Ferguson is the Chairman of the Risk Committee. All the other Non-Executive Directors, excluding the Chairman, are members of the Committee. The Committee met four times in 2010. Attendance by each of the members is set out in Table 5 below.

The Risk Committee is responsible for overseeing the Group's key risks through a mixture of qualitative guidance and quantifiable limits. The Risk Committee is forward looking and advises the Board on the Group's risk profile and risk appetite in setting its future strategy. It also advises the Board on the amount of surplus regulatory capital that should be held and oversees the effectiveness of the risk management framework and procedures, regulatory compliance and the principal risks and uncertainties relating to the Group. It also reviews the work and reports prepared by the Chief Risk Officer (CRO) and oversees the effectiveness of the CRO's role.

Since its formation, the Risk Committee:

- reviewed and accepted the Risk Committee's terms of reference;
- assessed the effectiveness of the Group's risk management framework;
- received regular reports from the Finance and Risk Management functions (further information on the Risk Committee's role in monitoring and assessing the Group's management of risk is set out in the risk management and oversight of internal controls sections on page 30);
- reviewed and updated the Group's risk appetite statement; and
- reviewed and recommended the approval of the ICAAP reports to the Board.

Risk management

The Board considers risk assessment and the existence of effective controls to be fundamental to achieving its corporate objectives within an acceptable risk and reward profile. Throughout 2010 and up to 22 February 2011, being the date on which the Annual Report and Accounts were approved, there has been in place an ongoing process for identifying, evaluating and managing significant risks within the Group's control which accords with the guidance set out in the "Turnbull Report – Internal Control: Revised Guidance for Directors on the Combined Code – October 2005". No significant failings or weaknesses were identified by this process. A summary of the Group's risk policy is on the Group's website and the key risks and their mitigation are outlined under Risk Management on pages 17 to 19.

The responsibility for managing risk lies with the SMT. There are also a number of management committees chaired by, and consisting of, senior managers that have responsibility for specific areas of risk. These provide a forum for managing and resolving significant risk and regulatory issues. Day-to-day responsibility for management of risk is delegated to line management who work closely with the Risk Management Team to maintain an effective system of controls.

Table 3: Nomination Committee

	Date appointed	Number of meetings held in 2010	Number of meetings attended in 2010	Percentage of meetings attended in 2010
Rupert Pennant-Rea (Chairman)	01/03/2005	4	4	100%
Gerald Aherne	12/05/2005	4	4	100%
Duncan Ferguson	12/05/2005	4	4	100%
Tim How	28/11/2008	4	4	100%
Robert Jeens	26/08/2009	4	4	100%

Table 4: Remuneration Committee

	Date appointed	Number of meetings held in 2010	Number of meetings attended in 2010	Percentage of meetings attended in 2010
Gerald Aherne (Chairman)	01/10/2004	6	5	83%
Duncan Ferguson	09/06/2005	6	6	100%
Tim How	28/11/2008	6	6	100%
Robert Jeens	20/01/2010	6	6	100%

Table 5: Risk Committee

	Date appointed	Number of meetings held in 2010	Number of meetings attended in 2010	Percentage of meetings attended in 2010
Duncan Ferguson (Chairman)	29/06/2010	4	4	100%
Gerald Aherne	29/06/2010	4	4	100%
Tim How	29/06/2010	4	4	100%
Robert Jeens	29/06/2010	4	4	100%

The Group's framework utilises a 'three lines of defence' approach to managing risk: the first line is represented by business management managing risk and having in place effective controls; the second line comprises an independent risk management team monitoring the operation of those controls and ensuring significant risks are not overlooked and by Compliance monitoring regulatory risks; and the third line is provided by Internal Audit, which operates and reports independently of management to the Audit Committee and is responsible for assessing the effectiveness of controls and, where necessary, making recommendations for improvements and monitoring management action plans to implement such improvements.

Quarterly risk reports are provided to the Board by the Risk Committee which include material business risks such as credit, market and operational risks; and the CRO provides regular reports to the Risk Committee on these topics. The Risk Management Team maintains an incident management process and reports regularly to the SMT.

The Board considers that this reporting framework gives it sufficient information upon which to assess the effectiveness of the Group's system of internal controls.

Oversight of internal controls

The Board has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The effectiveness of the Group's system of internal controls is reviewed at least annually by the Board in order to safeguard the Group's assets as well as clients' and shareholders' interests. For 2010, this review covered all material controls including financial, operational and compliance controls and risk management systems. As part of its review, the Board received assurances from the Chief Executive and the Chief Financial Officer that the statement provided on page 43 is founded on a sound system of risk management and internal controls and that the system is

operating effectively in all material respects in relation to financial reporting risks. In addition, the SMT reported positively to the Board on the effectiveness of the Group's system of internal controls and the mitigation of any material business risks.

The Board has delegated certain responsibilities to the Audit and Risk Committees (refer to pages 27 to 29 for roles and responsibilities of these committees). Terms of reference for these committees are available on the Group's website. The responsibility for risk within the Group is now overseen by the Risk Committee (prior to its establishment in June 2010, this responsibility lay with the Audit Committee).

The Group's system of internal controls requires line managers to confirm regularly that controls in their areas have operated effectively. These controls, and the risks which they are designed to mitigate, are maintained within the Group's operational risk database, which in turn reflects the risk profiles of each part of the Group's business.

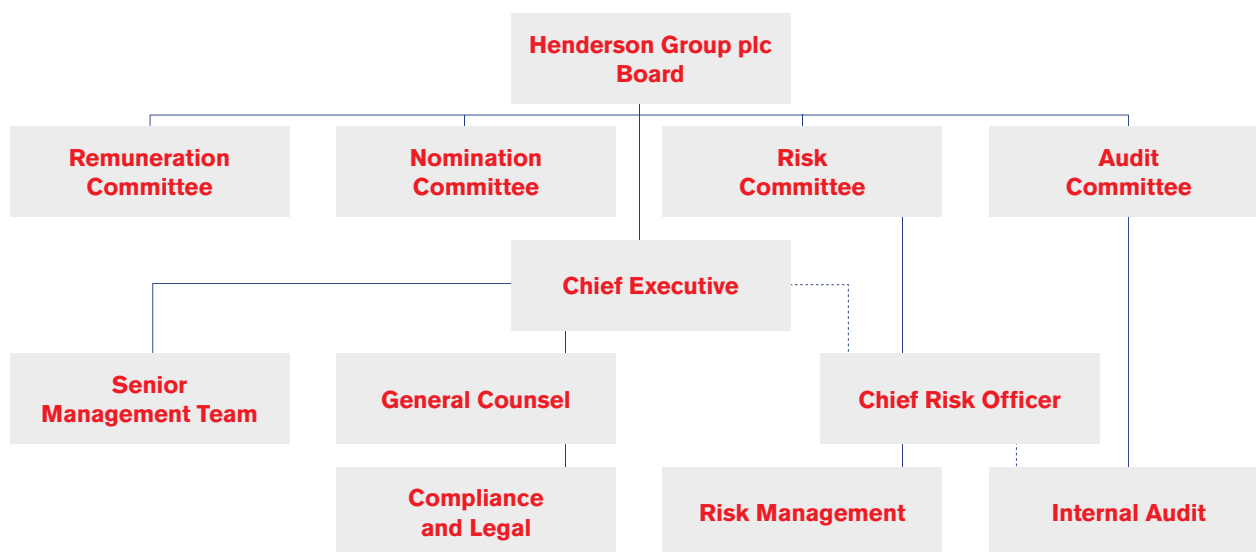
Internal controls over financial reporting

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 IFRS. This process is under the supervision of the Chief Executive and the Chief Financial Officer and has appropriate internal controls to ensure its effectiveness.

The internal controls include policies and procedures that:

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the Group's assets;
- 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
- 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.

RISK MANAGEMENT AND CORPORATE GOVERNANCE STRUCTURE



Financial reporting and going concern

The Directors have acknowledged their responsibilities in the Statement of Directors' Responsibilities in relation to the consolidated financial statements for the year ended 31 December 2010 (refer to page 43).

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Review on pages 4 to 11. The financial position of the Group, its cash flows and liquidity position are described in the consolidated financial statements and notes. In particular, note 28 to the financial statements summarises the Group's objectives, policies and processes for managing its financial risk management objectives, details of financial instruments used and hedging activities and its exposures to market, liquidity, interest rate and credit risks.

The Group has sufficient financial resources and diverse revenue streams. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have made appropriate enquiries into the material uncertainties inherent in current and expected market conditions, the trading performance of the Group and the debt instrument issued by the Group in 2007, which matures in 2012. Furthermore, the Directors have considered the guidance published by the Financial Reporting Council in October 2009 entitled "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" and the key questions for boards contained within that guidance. After thorough examination, the Directors are satisfied that the Group has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future and, therefore, will continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Significant agreements

HGI Group Limited (previously Henderson Group plc and now a wholly owned subsidiary of the Company) has in issue £175,000,000 in senior, unrated fixed rate notes (Notes) listed on the LSE, maturing on 2 May 2012. Condition 6.3 of the terms and conditions of the Notes gives each noteholder the option to require HGI Group Limited to redeem or (at HGI Group Limited's option) to purchase that Note at its principal amount together with accrued interest in the event of a 'Change of Control'. A 'Change of Control' will be deemed to have occurred, broadly, if there is a change in the person(s) who own(s) directly or indirectly more than 50% of the share capital of HGI Group Limited (or more than 50% of the voting rights attached to the share capital of HGI Group Limited). In the event that 80% or more in nominal amount of the Notes then outstanding has been redeemed or purchased in accordance with this condition, HGI Group Limited may redeem, at its option, the remaining Notes as a whole at their principal amount plus accrued interest.

The Group has entered into multicurrency term and GBP revolving loan facilities which may be utilised by the Group to meet the Group's post-Gartmore Acquisition debt obligations and for general corporate and working capital purposes. The Facilities Agreement contains a standard clause that sets out repayment and cancellation provisions should a change of control occur.

Share capital and structure

The share capital of the Company, issued and unissued, consists entirely of ordinary shares of 12.5 pence each. Each share ranks equally and carries the same right to receive dividends and other distributions declared, made or paid by the Company. No restrictions exist on the transfer or holding of securities in the Company under its Articles of Association and there are no shares carrying special rights with regard to the control of the Company.

Substantial shareholdings

At 22 February 2011, in accordance with the provisions of Rule 5 of the Disclosure and Transparency Rules, the Company had received notification of direct and indirect holdings in the Company's issued share capital from:

	Percentage of total voting rights
Perpetual Limited	13.51%
JCP Investment Partners Limited	6.46%
Lansdowne Partners Limited Partnership	6.22%
BlackRock, Inc.	5.01%
Suncorp-Metway Limited	4.57%
Legal & General plc	3.97%

Investor relations

The Group welcomes the views of investors and their representative bodies. The Board receives regular feedback from management about investors' and analysts' views on the Group and also wider industry matters. In addition, a monthly investor relations report informs the Board of analysts' views on the Group, provides a summary of the largest shareholders and reviews share price performance and key market and sector developments in the month.

The Group's website provides online services to help shareholders manage their holding and engage with the Investor Relations Team and Share Registry. To assist shareholders in accessing up-to-date information on the Group, market briefings and other Company announcements and presentations are on the Group's website. The Chief Executive and Chief Financial Officer meet with institutional shareholders and equity analysts regularly and the major shareholders are offered meetings with Non-Executive Directors. The Company's Market Disclosure and Communication and Shareholder Communication Policies, which are designed to promote effective communication with shareholders, are available on the Group's website.

The Group publishes its financial results on both the LSE and the ASX. The 2009 Annual Report and Accounts was sent to all shareholders that had requested it and all other shareholders were notified, via post or email, that the 2009 Annual Report and Accounts was available on the Group's website.

All shareholders were invited to the AGM held on 11 May 2010. Notice of the AGM was given to shareholders at least 21 clear days before the meeting. In line with the Combined Code, proxy forms for general meetings (including the AGM) made it clear that shareholders could vote for or against any resolution or withhold their vote. The AGM was held in Dublin and simultaneously broadcast to a venue in Sydney. All Directors attended the AGM. A summary of the questions asked at the AGM and the answers given, together with the results of resolutions put to the AGM, is on the Group website.

Employee share schemes

The Group has a number of employee share schemes. The rights attached to the shares of several of the share schemes are not exercisable directly by the employees. The trustees of such share schemes have an obligation to act in the best interests of the beneficiaries of the share schemes and, although the trustees consider any recommendations made by the Company, where applicable, the discretion over the rights remain with the trustees. In cases of takeover or reconstruction, the employees do have a right to vote via the trustees. An exception to the above is that the trustee of the Henderson Group plc Buy As You Earn Share Plan, and its international equivalent, does not have discretion as to how to vote and is instructed by the employees who are beneficially entitled to the underlying shares.

Restrictions on voting rights

All shareholders entitled to attend and vote at Company meetings are also entitled to appoint a proxy to attend, speak and vote in their place. A member may appoint more than one proxy. Proxy forms must be received not less than 48 hours before the time appointed for holding a meeting, as set out in any notices concerning a general meeting or in any proxy form sent by or on behalf of the Company in relation to a meeting. In addition, the Companies (Uncertificated Securities) (Jersey) Order 1999 provides for a time to be specified in the notice of meeting for determining attendance and voting entitlements. This time may not be more than 48 hours before the meeting. Further details are set out in any notice of meeting issued by the Company from time to time.

Amendment to the Articles of Association of the Company

Under the Companies (Jersey) Law 1991, the Company may only amend its Articles of Association if its shareholders pass a special resolution to that effect. A special resolution is passed if two thirds or more of the votes cast, in person or by proxy, are in favour of the resolution.

New issues of share capital and disapplication of pre-emption rights

Under the Company's Articles of Association, the Directors of the Company are, with certain exceptions, unable to allot any ordinary shares without express authorisation which cannot last more than five years. The Company follows best practice and asks shareholders to grant such authority on an annual basis. Under the Company's Articles of Association, the Board may not allot ordinary shares for cash, other than pursuant to an employee share scheme, without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a resolution of the shareholders passed by a majority of at least three quarters of the holders of the shares who vote in person or by proxy in favour of the resolution.

The Directors have been authorised by shareholders to allot the Company's unissued shares up to an aggregate nominal amount of £34,000,000, or £68,000,000 when in connection with an offer of equity securities by way of a rights issue to shareholders in proportion to their existing holdings. The former amount represented less than one third of the Company's issued ordinary share capital as at the year end. As at 22 February 2011, the Company has authority to allot shares up to a nominal value of £34,000,000, or £68,000,000 when in connection with an offer of equity securities by way of a rights issue to shareholders in proportion to their existing holdings, Shareholders will be asked to renew this authority up to a limit of £34,000,000, or £68,000,000 when in connection with an offer of equity securities by way of a rights issue to shareholders in proportion to their existing holdings,

at the AGM on 4 May 2011. The latter allotment ceiling of up to two thirds of the nominal value of the issued shares is in accordance with guidelines issued by the Association of British Insurers (ABI).

The Directors have authority to allot equity securities for cash or sell ordinary shares held in treasury (treasury shares) for cash on a non-pre-emptive basis: (a) pursuant to a rights issue; or (b) up to an aggregate nominal amount of £5,000,000. This empowers the Company to make limited allotments of unissued equity shares of the Company or certain rights to acquire such shares (equity securities) and to sell treasury shares for cash other than in accordance with the pre-emption rights in the Articles of Association. This amount represents less than 5% of the Company's issued share capital. Shareholders will be asked to renew this authority up to a limit of £5,000,000 at the AGM on 4 May 2011.

Purchase of own share capital

Subject to authorisation by a special resolution passed by shareholders, the Company may purchase its own shares in accordance with the Companies (Jersey) Law 1991. Any shares which have been bought back may be held as treasury shares and if not so held, would be cancelled, thereby reducing the amount of issued share capital. The Directors have shareholder authority to buy back up to 80,000,000 ordinary shares during the period up to the forthcoming AGM. The maximum number of ordinary shares authorised to be purchased is 80,000,000 minus the number of shares purchased pursuant to any purchases of CDIs made under a Contingent Purchase Contract (CP Contract). The minimum price (exclusive of expenses) which may be paid for an ordinary share is 12.5 pence (being the nominal value of an ordinary share). The maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the LSE Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the LSE Trading System. No ordinary shares were bought back by the Company during 2010.

The Directors consider that it may be advantageous for the Company to buy back interests in its own CDIs in certain circumstances. However, because CDIs are interests in shares, rather than shares themselves, the Companies (Jersey) Law 1991 provisions which provide for a buy-back of shares do not apply to CDIs. The Company, therefore, cannot buy CDIs pursuant to the above authority.

The Company achieves a similar result by entering into a CP Contract with Credit Suisse (Australia) Limited and certain of its affiliates (Credit Suisse) as identified in the CP Contract. Credit Suisse would buy the CDIs in Australia and then convert the CDIs into shares (Converted Shares). The Company would then have an obligation to buy any Converted Shares from Credit Suisse up to a maximum amount as explained below.

The Companies (Jersey) Law 1991 provides that any purchase of shares must be approved by shareholders by special resolution. Shareholders are therefore asked to approve the CP Contract. No Converted Shares were bought back by the Company during 2010.

The maximum number of Converted Shares which could be bought back by the Company, together with the number of shares bought back by the Company under the authority to purchase its own shares set out above, is limited to 80,000,000, which represented under 10% of the Company's issued share capital at 22 February 2011. Shareholders will be asked to renew these authorities up to a limit of 80,000,000 ordinary shares at the AGM on 4 May 2011.

Directors

In accordance with the Company's Articles of Association, one third of the Directors of the Company are required to retire by rotation at each AGM. The retiring Directors are eligible to stand for reappointment by shareholders. The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for reappointment by the shareholders at the next AGM in accordance with the Articles of Association.

In accordance with the new UK Corporate Governance Code, all Directors will offer themselves for reappointment at the AGM on 4 May 2011.

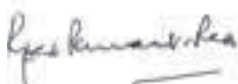
Pursuant to the Articles of Association, shareholders may remove a Director before the end of his or her term by passing an ordinary resolution at a meeting. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

Signed in accordance with a resolution of the Directors:



Andrew Formica

Chief Executive
22 February 2011



Rupert Pennant-Rea

Chairman
22 February 2011

Introduction

This Report on Directors' Remuneration (Report) contains the following information:

- a description of the membership and role of the Group's Remuneration Committee;
- a summary of the remuneration policy of the Group including a statement of the Group's policy on Directors' remuneration;
- details of the terms of the service agreements and the remuneration of each Director for the preceding financial year;
- details of the share options and awards under long-term incentive schemes, held by the Directors; and
- details of each Director's interest in ordinary shares of the Group.

Henderson Group plc is a Jersey incorporated company and has no statutory requirement to prepare a Report on Directors' Remuneration. Nevertheless, on a voluntary basis, the requirements of the UK Companies Act have been taken into account in preparing this Report. The Report also meets the requirements of the Listing Rules of the UK Listing Authority. It sets out how the principles of the Combined Code and the ASX Principles relating to Executive Directors' remuneration are applied by the Group. In addition, it outlines our alignment with the FSA Code on Remuneration.

A resolution will be put to the AGM on 4 May 2011 inviting shareholders to consider and approve this Report.

Membership and responsibilities of the Remuneration Committee

Role of the Remuneration Committee

The Remuneration Committee reviews and approves, where appropriate, the Group's remuneration and remuneration plans, policies and practices. Its duties are to:

- review and recommend to the Board the Group's remuneration protocols and practices, which are performance-based and aligned with the Group's vision, values and overall business objectives;
- determine annually the remuneration of the Board Chairman, the Chief Executive and his direct reports, including the other Executive Director;
- approve the terms and conditions of employment and other contractual matters relating to the Group's SMT;
- approve the policy and terms of the Group's employee and executive share incentive plans; and
- approve the Group's Remuneration Policy Statement and the remuneration terms and arrangements for FSA code staff in accordance with the new FSA Code on Remuneration.

The full terms of reference of the Remuneration Committee are available on the Group's website.

No Director or member of the Group's SMT is involved in any decision on their own remuneration.

Membership

The Remuneration Committee consists entirely of independent Non-Executive Directors. During 2010, and as at 22 February 2011, the Remuneration Committee consisted of Gerald Aherne (Committee Chairman), Duncan Ferguson, Tim How and Robert Jeens.

The Board Chairman, the Chief Executive and Chief Financial Officer may attend meetings of the Remuneration Committee at the Remuneration Committee's invitation, save that they may not attend if their own remuneration is under consideration.

Meetings

The Remuneration Committee meets regularly and takes advice on a range of matters, including the scale and composition of the total remuneration package payable in comparable financial institutions to people with similar qualifications, skills and experience. Additionally, a focus in 2010 was preparing for compliance with the FSA Code on Remuneration and other regulatory developments in remuneration policies and practices.

Internal support is provided to the Remuneration Committee by the Chief Financial Officer, the General Counsel and the Managing Director, Human Resources. The Remuneration Committee also receives support from the Chief Risk Officer and the Risk Committee on risk management issues relating to remuneration matters. The Managing Director, Human Resources is invited to attend meetings, except when his own remuneration is under consideration.

The Remuneration Committee Chairman and the Chief Executive make remuneration recommendations for the senior managers who report to the Chief Executive. The Board Chairman is also consulted about the remuneration of both Executive Directors.

The Remuneration Committee met six times in 2010.

Advisers

During 2010, the Remuneration Committee took external advice on technical aspects of remuneration policy from independent external consultants appointed by the Remuneration Committee. These were Towers Watson, a specialist remuneration consulting firm, and PwC, both of which provided advice on a variety of matters (particularly the FSA Code on Remuneration) and Lane Clark & Peacock LLP, which provided advice to the Group on pension matters.

Remuneration survey data published by McLagan Partners was also presented to the Remuneration Committee.

None of Towers Watson, Lane Clark & Peacock LLP or McLagan Partners have any connection with the Group other than to provide data and information on remuneration and on pension matters and developments. PwC provide other consultancy or specialist advice to the Group on an ad hoc basis but have no other connection with the Group.

Policy statement

Remuneration policy

The Remuneration Committee considers that a successful remuneration policy should be sufficiently flexible to take account of future changes in the Group's business environment and remuneration practice and, therefore, the Group's policy is also subject to change.

The Group has established a remuneration framework, which is designed to be market competitive and motivate employees to improve individual and business performance, retain key employees and align employee actions with the interests of shareholders. Our remuneration policies are also designed to address risk management and compliance issues. The Remuneration Committee has discretion and authority to make recommendations on matters of remuneration where they consider it appropriate to do so especially relating to FSA code staff.

The Group's remuneration framework is based on a total reward approach designed to deliver top quartile pay for top performance. There are three key components:

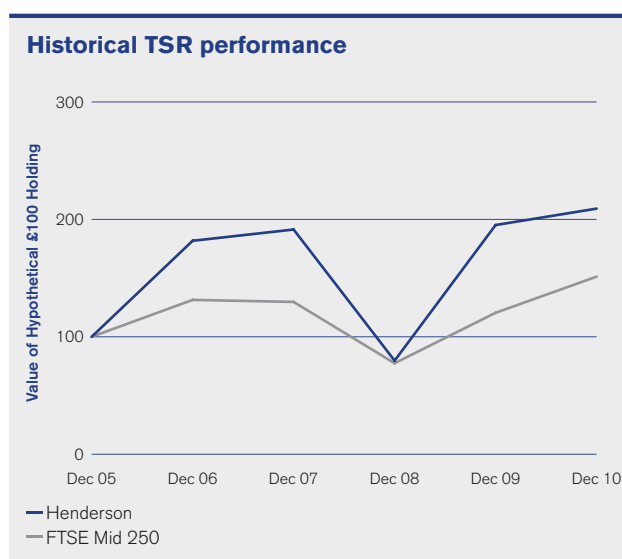
- basic salary – paid within appropriate market range;
- annual bonus – paid under a short-term incentive plan where individuals have the opportunity to receive a bonus (of which a substantial portion is deferred over three years) based on business and individual performance against targets; and
- long-term incentive – performance-based for senior executives and certain professionals such as senior fund managers and key distribution personnel.

The Group and Remuneration Committee also considered, in detail, guidelines from the FSA and the Walker Report on executive pay and remuneration practices. As a result, the Group has implemented several changes that strengthen the link between its remuneration policies and practice and the increased focus on corporate remuneration governance, these being;

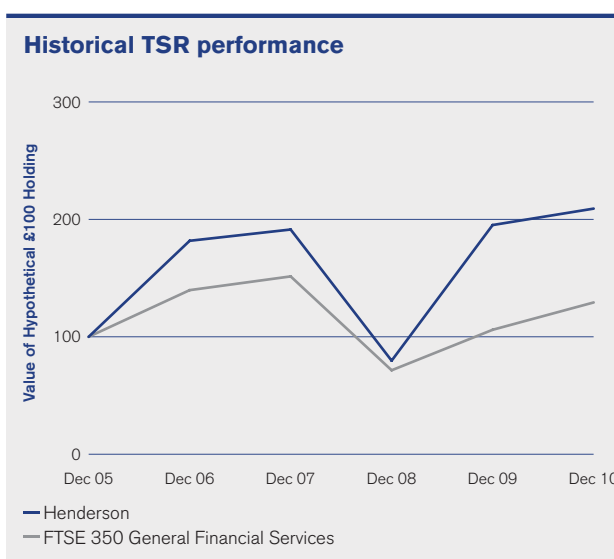
- the production of a Group Remuneration Policy Statement that sets out the Group's remuneration policies and practice;
- the introduction of risk assessment factors into our key reward processes through liaison with the Chief Risk Officer, the Risk Committee and the Remuneration Committee when awards are made and vest;
- new rules for the Group's share plans to provide the Remuneration Committee with the power to vary or lapse individual unvested awards in cases of poor risk management or where results have been misstated or where there has been serious misconduct;
- the introduction of non-financial objectives and risk measures into key remuneration and the annual employee appraisal processes; and
- implementation of processes that enable the Remuneration Committee to identify and regularly monitor all FSA code staff especially in respect of levels of reward, risk management, compulsory deferral and annual appraisals.

Total Shareholder Return (TSR) performance

The graphs below show the Company's share price performance compared to the movement in the FTSE 250 Index and the FTSE 350 General Financial Services Index. These two indices were selected as the most appropriate indices for the Group. The share price in 2010 ranged from a low of 112.80 pence on 10 February 2010, peaked at 151.80 pence on 15 April 2010 and closed at 135.50 pence on 31 December 2010.



Growth in the value of a £100 holding since December 2005
FTSE Mid 250 comparison based on 30 trading day average values



Growth in the value of a £100 holding since December 2005
FTSE 350 General Financial Services Index comparison based on 30 trading day average values

Source: Graphs provided by Towers Watson and calculated according to a methodology that is compliant with the UK Companies Act.
Data sources: FTSE and Datastream.

Executive Directors' remuneration: individual elements

Overall structure

Executive Directors' remuneration comprises:

- basic salary;
- annual bonus;
- pension benefits;
- benefits in kind; and
- the opportunity to participate in certain Group-wide incentive schemes, such as the Long-Term Incentive Plan (LTIP), the Restricted Share Plan (RSP), the Sharesave scheme (SAYE) and the Buy As You Earn Share Plan (BAYE).

The LTIP and the annual bonus are performance-related and these are key elements in the Executive Directors' remuneration packages. The SAYE is available to all UK and US employees and is not performance-related. Awards to Executive Directors can be made under the RSP and may be subject to performance conditions.

For target levels of performance, at least 60% of total remuneration (excluding pension) should be performance-related. The expected value of awards made under the LTIP was calculated by the Group's adviser, Towers Watson, using a proprietary methodology. Its methodology considers TSR rank at which payment begins, the payment level at this threshold, the maximum payment under the plan and the rank at which this maximum is achieved. The methodology also takes into account the correlation of the Company's share price with those companies in its peer group, starting from the premise that the value of the shares awarded at the end of the performance period is correlated with the TSR ranking. The Remuneration Committee is satisfied that the overall structure is a well-considered set of arrangements for the Executive Directors' remuneration. It is kept under review to take account of changing circumstances. Incentive payments are not taken into account for pension purposes.

Performance linkage

Each element of the Executive Directors' reward package supports the achievement of key business measures and rewards outperformance as illustrated in the table below:

Element	Structure	Purpose	Performance measure
Basic salary	Fixed	Reflects the competitive market rate for the role, the individual's contribution and prior contractual arrangements	Experience and qualifications
Annual bonus	Variable	Rewards the delivery of operational goals, financial and non-financial targets	Return on equity, underlying pre-tax profit, operating margins, net fund flows and investment performance. Non-financial measures (see note 1 below) are also considered
Long-term incentives	Variable	Supports superior business performance in relation to competitor companies and aligns Executive Directors' with shareholders' interests	Relative TSR

Note 1

In 2010, the Committee agreed to particularly consider any non-financial measures:

- potential external and/or reputational issues arising from regulatory issues, including an adverse report from, or financial penalty imposed by, the FSA, Securities and Exchange Commission, Monetary Authority of Singapore or other regulator, an adverse report from Ernst & Young relating to the Group's Annual AAF or reputational risk, other than those included above; and
- operational risk and internal controls: the cost of any error deals in the year, together with a failure to satisfactorily close actions relating to any incidents; the number of serious issues identified by Internal Audit, combined with a failure to close related actions within agreed timescales or non-adherence to internal procedures, i.e. Group-wide compulsory training (such as TCF and market abuse) or control sign-offs not completed on time.

Basic salary

Salaries are reviewed annually for each Executive Director. In 2010, the salaries of the Chief Executive and the Chief Financial Officer remained unchanged at £350,000 per annum and £300,000 per annum respectively.

Annual bonus

At the discretion of the Remuneration Committee, each Executive Director may receive a cash bonus subject to achieving performance targets set by the Remuneration Committee. Payment of bonuses (if any) will be made to the Executive Directors annually, in February, on condition that performance targets were met in the preceding calendar year. The Remuneration Committee has the flexibility to take into account other factors in determining any bonus. The bonus range is zero to a specified maximum. The maximum bonus entitlement is based on a percentage of annual basic salary. The maximum entitlements for 2010 performance are 600% of salary for the Chief Executive (2009: 600%) and 200% of salary for the Chief Financial Officer (2009: 200%).

For the Executive Directors, the corporate performance targets relate to Group performance measures as set out in the Performance linkage section above. The Group's performance measure in 2010 was predominantly underlying pre-tax profit. However, operating margins, net fund flows, return on equity and investment performance were also factored in. Also considered were a number of non-financial measures and a report from the Chief Risk Officer on risk. The Remuneration Committee and the Board review the performance of each Executive Director on an annual basis against these targets and guidance from the FSA in its code of practice on remuneration. The Committee determined that annual bonuses for Executive Directors should continue to be subject to deferral in line with the FSA Code on Remuneration (this also applies to FSA code staff).

Long-term incentives

Under the LTIP, the Remuneration Committee may make awards to Executive Directors up to a maximum number of ordinary shares determined by the Remuneration Committee at the date of grant. Vesting of awards is conditional upon the achievement of a performance target measured over a three year period and the Executive Director's continued employment during the performance period. The primary performance measure is the relative TSR and the Remuneration Committee must be satisfied that the Group's TSR performance reasonably reflects its underlying financial performance over the performance period. In addition, the Committee has the power to vary or lapse individual unvested awards in cases of poor risk management or where results have been misstated or where there has been serious misconduct.

The Group made awards under the LTIP to Andrew Formica and Shirley Garrood on 21 June 2010. The aggregate market value of the ordinary shares capable of being acquired under these awards at the date of award was equivalent to 464% and 217% of salary respectively.

The Remuneration Committee will consider awards under the LTIP to the Executive Directors in 2011. The Committee also intends to change the LTIP from a three year plan to one where the full benefit of the plan occurs between years three and five.

2010 LTIP award

The proportion of the 2010 LTIP awards that will vest will be determined by reference to the Group's TSR over the three year period commencing 1 January 2010, compared to that achieved over the same period by the companies in the FTSE 350 General Financial Services Index. If the Group's TSR performance is below the 50th percentile, none of the shares awarded will vest. If the Group's TSR performance is at the 50th percentile, 25% of the shares awarded will vest and if it is at or above the 75th percentile, 100% of the shares awarded will vest. Vesting between these latter two points will be calculated on a straight-line basis.

2009 LTIP award

The awards made in 2009 continue to be held, subject to the same TSR performance condition as the 2010 LTIP, over the three year period to 31 December 2011. The awards will vest in May 2012.

2008 LTIP award

The TSR performance condition for this award, which was also the Company's TSR performance versus the FTSE 350 General Financial Services Index, was satisfied at the end of 2010 and resulted in 100% of the shares in the award being capable of exercise. The award will vest in February 2011.

2007 LTIP award

2007 LTIP awards vested in March 2010 and based on the TSR performance condition over the prior three calendar years, resulted in 100% of the shares in the award being capable of exercise.

Shareholding requirement

The Remuneration Committee has also determined that, over time, each Executive Director should be required to maintain a target shareholding of ordinary shares in the Company, equivalent to 100% of basic salary, in order to align the interests of Executive Directors more closely with those of shareholders. The Chief Executive and Chief Financial Officer met this requirement throughout 2010.

All-employee Group share schemes

The SAYE, a savings-related share option scheme, is available to all UK employees. It operates within specific UK tax legislation (including a requirement to finance exercise of the option using the proceeds of a monthly savings contract) and exercise of the option is not subject to satisfaction of a performance target since this is an all-employee scheme. Executive Directors are eligible to participate in the SAYE on the same terms as other employees. There is a similar plan for US employees.

The BAYE, available to all UK employees, is a scheme that operates within specific UK tax legislation and was established following shareholder approval at the 2004 AGM. The BAYE represents a further opportunity for employees to increase their share ownership in the Company, which is an important tool in attracting and retaining staff in the asset management industry. The BAYE enables participants to acquire ordinary shares via deductions from gross salary, for which the Company provides two matching shares for every one purchased. The BAYE also allows for limited annual awards of free shares up to HM Revenue & Customs (HMRC) (UK tax authority) limits. Executive Directors are eligible to participate in the BAYE. There are similar plans for employees outside the UK (except for China and India).

The Employee Share Ownership Plan (ESOP), last offered in 2008, provides an opportunity for employees to further increase their ownership in the Group. Employees are able to purchase Company shares up to a set limit through the Deferred Equity Plan (DEP) and, subject to continued employment over a specified period, the Company provides one further matching share for each share purchased.

The Company Share Option Plan (CSOP) is a global plan that provides employees with an opportunity to buy shares after three years at an option price fixed at the start of the scheme. Under the CSOP, an employee may receive one or several awards of stock options. Being a global plan means that the tax treatment for this plan can vary by country and tax jurisdiction but in the UK an employee's CSOP is limited to £30,000 in aggregate. Executive Directors are not eligible to participate in the CSOP.

The Executive Shared Ownership Plan (ExSOP) was introduced in 2010 to encourage employee share ownership at middle management level. Under the ExSOP, selected employees were invited to acquire, jointly with an employee benefit trust (Co-Owner) and upon the terms of a joint ownership agreement a restricted beneficial interest in a given number of shares in the Company. When the jointly owned shares are sold, after at least three years, the participant receives the growth in the value of the shares and the Co-Owner retains the original value of the shares. Executive Directors are excluded from participating in the ExSOP.

All Group share awards can be funded by issuing shares except for an element of the BAYE and DEP which are made through on-market purchases. All awards to Executive Directors are satisfied by on-market purchases.

The Group's share plans rules currently restrict the level of shares that may be issued to satisfy share plan vestings to 10% of the issued share capital of the Group over a 10 year rolling period. Executive plans are restricted to 5%. This is consistent with ABI guidelines.

Pensions

Retirement benefits are designed to be both market competitive and cost effective. HGI Group Limited is the sponsoring employer of the Henderson Group Pension Scheme (Pension Scheme), which has both a defined benefit section (closed to new members) and a defined contribution section. No members of the defined benefit section of the scheme receive unapproved pension benefits in addition to their normal scheme benefits. In the UK scheme, the Group replaced the statutory earnings cap which was abolished on 6 April 2006 by the Finance Act 2004 with an internal scheme earnings cap, which is broadly the same as the previous statutory figure adjusted for inflation. The annual scheme earnings cap of £122,760, remained unchanged on the previous year.

The Executive Directors participate in the non-contributory section of the Pension Scheme providing benefits on a defined contribution basis on the same age-related basis as other employees. The Chief Executive receives a Group contribution, currently 10.5% of basic salary, into the pension plan limited by the operation of the scheme earnings cap and the Chief Financial Officer receives 11.5%, again limited by the operation of the scheme earnings cap.

In 2007, the Group introduced a Self Invested Personal Pension (SIPP) that allows UK employees to make voluntary contributions into a wider range of funds and also the ability to transfer in Company shares from maturing share plans in a tax effective manner. The Group rebates some of the national insurance savings to employees' SIPP accounts. The Chief Executive and the Chief Financial Officer made no contributions to the Group SIPP in 2010 that qualified for any rebate.

The Group also has pension arrangements in place for its non-UK-based employees, which are in line with market practice.

Benefits and benefits in kind

The Executive Directors are contractually entitled to a lump-sum life assurance benefit of four times basic salary, permanent health insurance and medical insurance.

The Executive Directors also benefit from indemnity arrangements in respect of their services as Directors, and Directors' and Officers' liability insurance, under separate Deeds of Indemnity. Further details can be found in the Directors' Report section.

Contracts and termination provisions

The Group's policy is to employ Executive Directors on annual rolling contracts although, in exceptional circumstances on recruitment, longer initial terms may be approved by the Remuneration Committee. To date, it has not exercised this power. The Remuneration Committee will, consistent with the best interests of the Group, seek to minimise termination payments.

The Executive Directors have service agreements terminable on not less than 12 months' written notice by the Group or on not less than six months' written notice by the relevant Executive Director.

The service agreements allow the Group to suspend the Executive Directors from their duties at any time after notice has been given by either party, provided they continue to receive full pay. Under certain circumstances (such as serious misconduct), the Group may terminate employment immediately with no liability to make any further payment (other than amounts accrued to the date of termination).

The Executive Directors' employment agreements have no provisions for remuneration payable on early termination. In relation to their participation in long-term incentive-related pay, Executive Directors are subject to the same LTIP rules as other participants.

Roger Yates, former Chief Executive, received 624,166 shares in March 2010 in respect of a prorated award from the 2007 LTIP and his adherence to contractual post-termination restrictions agreed at the time of his departure in 2008. Toby Hiscock, former Chief Financial Officer, received 312,500 shares in respect of a prorated award from the 2007 LTIP and a cash award of £225,000 in March 2010, as part of his contractual post-termination arrangements and his adherence to restrictions post termination agreed at the time of his departure in 2009.

Chairman and other Non-Executive Directors

The remuneration of the Board Chairman is determined by the Chairman of the Remuneration Committee and the other Non-Executive Directors and, for other Non-Executive Directors, is determined by the Chairman and the Executive Directors, both on the basis of external independent advice. The Board Chairman and other Non-Executive Directors serve the Company under letters of appointment that are terminable by the Company on one month's written notice without liability for remuneration; they do not have service agreements. It is the Company's policy that the Board Chairman and other Non-Executive Directors do not participate in any of the Group's bonus, incentive or pension schemes, nor are they entitled to any retirement benefits. Under their respective letters of appointment:

- the annual fee payable to each Non-Executive Director (other than the Board Chairman and the Audit, Remuneration and Risk Committee Chairmen) is £50,000, of which £5,000 is paid in the form of Company shares. The fee was increased from £45,000 with effect from 1 July 2010;
- the annual additional fee payable to the Audit, Remuneration and Risk Committee Chairmen is £20,000, of which £5,000 is paid in the form of Company shares;
- Rupert Pennant-Rea is Non-Executive Chairman of the Group. His fees are £170,000 per annum, of which £20,000 is paid in the form of Company shares;
- Gerald Aherne was entitled to additional fees of £20,000 per annum, of which £5,000 is paid in the form of Company shares as Chairman of the Remuneration Committee;

- Duncan Ferguson was entitled to additional fees of £20,000 per annum, of which £5,000 is paid in the form of Company shares as Chairman of the Risk Committee. He was appointed Chairman of the Risk Committee with effect from 29 June 2010 and therefore received a prorated cash fee in 2010. The £2,500 payable in shares will be purchased on-market in 2011;
- Tim How was entitled to additional fees of £5,000 per annum, as the Senior Independent Director; and
- Robert Jeens was entitled to additional fees of £20,000 per annum, of which £5,000 is paid in the form of Company shares as Chairman of the Audit Committee.

The Chairman, together with the Executive Directors, has reviewed the basic fees paid to other Non-Executive Directors and determined that they would rise by £5,000 to £55,000 per annum with effect from 1 January 2011. The increase would be in the form of cash. The additional fees for the Audit, Remuneration and Risk Committee Chairmen and the Senior Independent Director will remain unchanged.

The Chairman of the Remuneration Committee and the other Non-Executive Directors (excluding the Board Chairman) also reviewed the fees payable to the Board Chairman and determined that they would rise from £170,000 to £180,000 per annum, with effect from 1 January 2011. The increase would be in the form of cash.

The Chairman and other Non-Executive Director remuneration was determined after having reviewed market survey data and a report from the Managing Director, Human Resources on pay levels and employment conditions of employees across the Group.

The following tables provide greater detail in respect of each of the Directors' remuneration, pension entitlements and share interests which have been audited by the Group's auditors.

Directors' remuneration in 2010

The remuneration (cash payments and benefits in kind, but not including any pension) of the Directors in respect of the period for which they were in office in the relevant year, including any remuneration in respect of subsidiary undertakings, comprised:

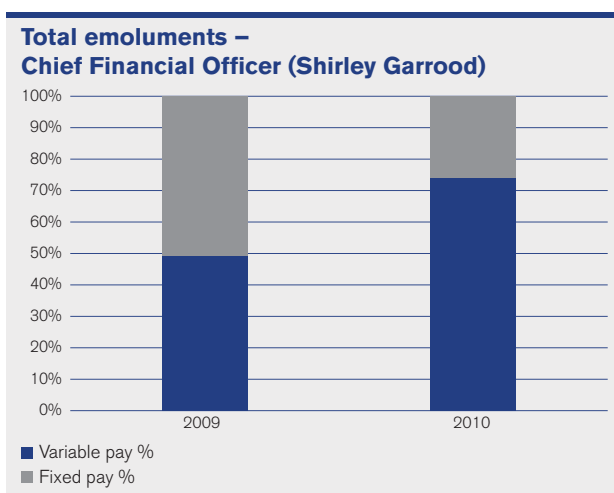
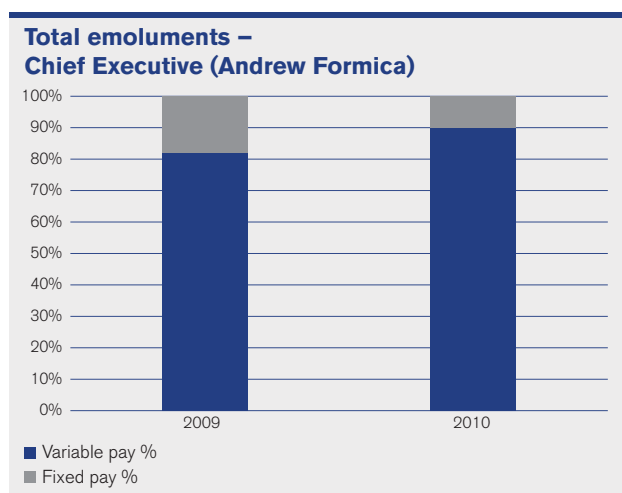
	Salary and fees (a) £000	Benefits in kind (b) £000	Annual bonus award before deferral (c) £000	Total (a) to (c) £000	Share plan vesting £000	Other £000	2010 total £000	2009 total £000
Chairman								
R.L. Pennant-Rea (Chairman and Non-Executive Director)	170	–	–	170	–	–	170	170
Executive Directors								
A.J. Formica (Chief Executive)	350	1	1,395	1,746	1,702	13	3,461	2,074
S.J. Garrood (Chief Financial Officer)	300	2	600	902	302	15	1,219	207
N.T. Hiscock (Chief Financial Officer to 1/9/2009)	–	–	–	–	–	–	–	624
Other Non-Executive Directors								
G.P. Aherne	68	–	–	68	–	–	68	60
D.G.R. Ferguson	58	–	–	58	–	–	58	45
T.F. How	53	–	–	53	–	–	53	45
R.C.H. Jeens	68	–	–	68	–	–	68	22
A.C. Hotson (to 11/5/2009)	–	–	–	–	–	–	–	1
D.J.S. Roques (retired 31/12/2009)	–	–	–	–	–	–	–	6
Total	1,067	3	1,995	3,065	2,004	28	5,097	3,329

Notes

- Annual bonus awards paid to the Executive Directors are subject to the same Company mandatory deferral terms that apply to other employees. The annual bonus shown above is the amount before deferral.
- There were no amounts paid to the Executive Directors in respect of their qualifying services by way of expenses allowance that was chargeable to UK income tax.
- Remuneration of all Directors is stated with effect from 1 January 2010 or from date of appointment. Shirley Garrood's 2009 remuneration reflects her remuneration from her date of appointment, 26 August 2009.
- The non-cash elements of the Executive Directors' remuneration packages (disclosed in the table above as Benefits in kind) consist of the provision of life assurance and private medical insurance.
- The payment under Other in the table above relates to pension contribution and a rebate of hedge fund commission charges.
- The Share plan vesting figures in the table above relate to the market value at the date of vesting of the 2007 LTIP and the first tranche of the Chief Executive RSP award in 2010.

The graphs below illustrate the fixed and variable elements of the Executive Directors' emoluments for the last two years. The amounts for the Chief Executive reflect his full remuneration for 2009 and 2010.

The 2009 remuneration for the Chief Financial Officer, covers the period from 26 August 2009 to 31 December 2009. The amounts for 2010 reflect her full remuneration.



Pensions and share interests

Directors' pension entitlements

The Executive Directors are members of the defined contribution section of the Pension Scheme. The contribution made by the Group to their Money Purchase accounts for their role is shown below:

	Service at 31 December 2010	Contribution for period to 31 December 2010 £000
A.J. Formica (Chief Executive)	17 years 10 months	13
S.J. Garrod (Chief Financial Officer)	9 years 8 months	14

Directors' share interests

As at 22 February 2011, 31 December 2010 and 31 December 2009, the Directors had the following beneficial interests in shares in the Company:

	22 February 2011	31 December 2010	31 December 2009
Chairman			
R.L. Pennant-Rea	51,333	51,333	43,071
Executive Directors			
A.J. Formica (Chief Executive)	3,498,822	3,498,822	2,646,789
S.J. Garrod (Chief Financial Officer)	1,004,235	1,004,235	776,176
Other Non-Executive Directors			
G.P. Aherne	9,571	9,571	4,591
D.G.R. Ferguson	13,688	13,688	11,137
T.F. How	5,898	5,898	3,591
R.C.H. Jeens	5,845	5,845	864
Total	4,589,392	4,589,392	3,486,219

Note

- Beneficial interests in the table above represent shares held by a Director, either directly or through a nominee, and any holdings of their spouse and children under 18. They do not include any unvested awards held in the SAYE, BAYE, DEP, ESOP, CSOP, RSP or LTIP.

Executive Directors' interests in share awards

The table below shows the Executive Directors' interests in the various share schemes:

	Andrew Formica (Chief Executive)	Shirley Garrood (Chief Financial Officer)
Interests at 31 December 2009		
SAYE	15,721	15,721
BAYE	35,107	35,107
DEP and ESOP	490,514	410,463
CSOP	–	41,000
RSP	3,684,207	–
Maximum LTIP award	2,350,000	1,175,000
Awards made, vested or lapsed during 2010		
BAYE awarded	4,882	4,882
DEP and ESOP vested	(138,977)	(202,162)
RSP lapsed	(132,069)	–
RSP vested	(1,096,000)	–
LTIP vested	(175,000)	(175,000)
Maximum LTIP award	1,250,000	500,000
Interests at 31 December 2010		
SAYE	15,721	15,721
BAYE	39,989	39,989
DEP and ESOP	351,537	208,301
CSOP	–	41,000
RSP	2,456,138	–
Maximum LTIP award	3,425,000	1,500,000

Notes

- Under the SAYE, after 36 monthly contributions of up to £250, SAYE participants may exercise their options to acquire Company shares at a pre-defined issue price set at a 20% discount to the closing mid-market value on a pre-defined date.
- The vested LTIP relates to the 2007 award. On exercise, for the 2007 plan, awards were satisfied by the transfer to participants of shares purchased on-market by the LTIP trustee.
- Maximum LTIP award – this number reflects the number of shares that would vest on the vesting date. However, the expected level of achievement of the TSR performance target at the time of award is 40.6% of the maximum award.
- The CSOP award to Shirley Garrood was in respect of her previous role as Chief Operating Officer.

Additional remuneration information

The ASX Principles encourage companies that are not subject to the Australian Corporations Act 2001 to make certain disclosures about the remuneration of the five highest paid non-Director executives in accordance with section 300A of that Act. Details of the remuneration of each individual and the value of the component parts of their remuneration have not been disclosed. The Group considers this information to be commercially sensitive. However, generic disclosures are given as follows.

The five highest paid non-Director executives during 2010 were:

Name (in alphabetical order)	Position
Andrew Boorman	Managing Director, Human Resources
James Darkins	Managing Director, Property
Roger Greville	Managing Director, Private Equity
David Jacob	Managing Director, Listed Assets and Chief Investment Officer
Arno Kitts	Director of Global Distribution

The aggregate annual remuneration of the executives listed above was £6,107,000 made up of the following:

- basic salary;
- discretionary annual bonus, which is dependent on stipulated Group, divisional and individual performance measures;
- discretionary performance fee or transaction fee awards in 2010;
- Group non-contributory (i.e. the employee does not contribute and the Group bears all the costs) pension plan in the defined contribution and defined benefits sections of the plan;
- other benefits including private medical insurance, car allowance, season ticket loans and life assurance and free shares under the BAYE; and
- vesting of discretionary share plan awards, refund of commission charges on mandatory deferral into hedge funds and cash payment of BAYE dividend awards that exceeded the HMRC annual dividend limit.

In June 2010, the Remuneration Committee made awards to non-Director executives under the LTIP as described on page 63. In 2010, the aggregate market value of the ordinary shares (averaged over the three month period immediately prior to the date of grant) capable of being acquired by any non-Director executives under these awards was a maximum of 300% of basic salary, depending on the role and responsibilities of the relevant executive. The vesting criteria set out on page 63 will apply to these awards. The executives were awarded a total of 1,825,000 shares under the LTIP in June 2010. Non-Director executives are entitled to participate in the SAYE and BAYE as described on page 63. In addition, the Remuneration Committee made an award of 10,000 jointly owned shares under the ExSOP in June 2010 to Andrew Boorman.

Non-Director executives (as with Executive Directors) also participate in the DEP under which participants receive part of their annual bonus, principally since 2004, in the form of Company shares or, an interest in an investment fund vesting at the end of a specified restricted period, subject to the executive continuing to be employed by the Group. The restricted period will normally be three years, but cannot be less than one year or more than five years.

The structure of the remuneration packages for non-Director executives and FSA code staff is designed to support the achievement of the same key measures as for Executive Directors (as set out on page 37) and to ensure that executive pay complies with the Board's remuneration policy (as described on pages 34 to 35).

Signed on behalf of the Board



Gerald Aherne

Chairman of the Remuneration Committee
22 February 2011

The Directors are responsible for preparing the Annual Report and Accounts. The Directors are required to prepare financial statements in accordance with Jersey law which show a true and fair view in accordance with generally accepted accounting principles. The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

International Accounting Standard (IAS) 1 Presentation of Financial Statements requires that financial statements present fairly for each financial year the Group's and Company's financial position, financial performance and cash flows. In preparing the Group and Company financial statements, the Directors are also required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- state that the Group and Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and Company, for safeguarding the assets, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

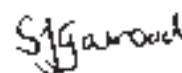
The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the year ended 31 December 2010;
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group for the year ended 31 December 2010 and a description of the principal risks and uncertainties faced by the Group; and
- the accounting records have been properly maintained.

Signed in accordance with a resolution of the Directors:



Andrew Formica
Chief Executive
22 February 2011



Shirley Garrood
Chief Financial Officer
22 February 2011

We have audited the Consolidated and Company financial statements of Henderson Group plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows (the Group), the Company Income Statement, the Company Statement of Comprehensive Income, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the Company Statement of Cash Flows and the related notes 1 to 34 (the financial statements). The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 Statement of Directors' Responsibilities set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 and 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 of the Company's affairs as at 31 December 2010 and of the Group's profit and the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review.



Ratan Engineer
for and on behalf of Ernst & Young LLP

London
22 February 2011

Financials

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For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Income			
Gross fee income and commissions	3	487.9	362.0
Finance income	3	0.8	4.3
Gross income		488.7	366.3
Commissions and fees payable	3	(125.8)	(78.7)
Total income		362.9	287.6
Expenses			
Operating costs	4.1	(250.3)	(201.8)
Depreciation	15	(3.2)	(3.2)
Total expenses before finance costs		(253.5)	(205.0)
Finance costs	6	(8.7)	(8.9)
Total expenses		(262.2)	(213.9)
Underlying profit before tax		100.7	73.7
Intangible amortisation	13	(11.6)	(8.7)
Void property finance charge	22	(2.1)	(2.0)
Recurring profit before tax		87.0	63.0
Non-recurring items	7	(10.5)	(47.5)
Profit before tax		76.5	15.5
Tax on recurring profit		(16.1)	(13.3)
Tax on non-recurring items		0.6	12.3
Non-recurring tax	7	16.4	–
Total tax	8	0.9	(1.0)
Profit after tax		77.4	14.5
Attributable to:			
Equity holders of the parent		77.9	13.8
Non-controlling interests		(0.5)	0.7
		77.4	14.5
Dividends			
Dividends declared and charged to equity during the year	11	49.0	48.3
Dividends proposed	11	38.8	35.1
Earnings per share			
Basic	9.2.2	9.9p	1.8p
Diluted	9.2.2	9.2p	1.7p

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit after tax		77.4	14.5
Other comprehensive income			
Exchange differences on translation of foreign operations		0.3	(1.2)
<i>Available-for-sale financial assets:</i>			
Exchange differences on translation		–	(3.2)
Translation reserve transfer on sale		–	(1.1)
Translation reserve transfer on impairment		(0.3)	0.5
Net gains/(losses) on revaluation		3.0	(8.2)
Revaluation reserve transfer on sale		–	5.6
Revaluation reserve transfer on impairment		–	6.8
Tax effect of available-for-sale financial assets movements	8	(0.6)	(0.6)
<i>Actuarial gains/(losses):</i>			
Actuarial gains/(losses) on defined benefit pension schemes	21	14.8	(69.7)
Actuarial gains on post-retirement medical benefits		0.2	0.1
Tax effect of actuarial (gains)/losses	8	(3.9)	19.4
Other comprehensive income/(expense) after tax		13.5	(51.6)
Total comprehensive income/(expense) after tax		90.9	(37.1)
Attributable to:			
Equity holders of the parent		91.4	(37.8)
Non-controlling interests		(0.5)	0.7
		90.9	(37.1)

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As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Intangible assets	13	345.0	366.2
Investments accounted for using the equity method	14.2	6.8	6.4
Plant and equipment	15	21.2	23.0
Retirement benefit assets	21	112.5	90.0
Deferred tax assets	23	30.3	15.4
Deferred acquisition and commission costs	17	58.3	43.6
		574.1	544.6
Current assets			
Available-for-sale financial assets	16	46.6	41.7
Financial assets at fair value through profit or loss	16	1.2	0.9
Trade and other receivables	18	141.6	146.8
Deferred acquisition and commission costs	17	55.3	33.4
Cash and cash equivalents	19.1	176.6	119.0
		421.3	341.8
Total assets		995.4	886.4
Non-current liabilities			
Debt instrument in issue	20	179.1	181.9
Retirement benefit obligations	21	6.2	6.1
Provisions	22	25.3	35.0
Deferred tax liabilities	23	50.1	51.6
Deferred income		58.4	42.0
		319.1	316.6
Current liabilities			
Trade and other payables	24	222.0	211.5
Provisions	22	27.4	19.5
Deferred income		56.3	34.1
Current tax liabilities		15.7	22.5
		321.4	287.6
Total liabilities		640.5	604.2
Net assets		354.9	282.2
Capital and reserves			
Share capital	25.2	104.2	103.1
Share premium		261.0	250.7
Own shares held		(52.4)	(51.6)
Translation reserve		6.2	6.2
Revaluation reserve		5.0	2.0
Profit and loss reserve		30.4	(29.2)
Shareholders' equity		354.4	281.2
Non-controlling interests	27	0.5	1.0
Total equity		354.9	282.2

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2011. They were signed on its behalf by:



Rupert Pennant-Rea
Chairman

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Own shares held £m	Translation reserve £m	Revaluation reserve £m	Profit and loss reserve £m	Non- controlling interests £m	Total equity £m
At 1 January 2009	90.7	195.1	(74.2)	11.2	(2.2)	72.2	0.3	293.1
Total comprehensive (expense)/income after tax	–	–	–	(5.0)	4.2	(37.0)	0.7	(37.1)
Dividends paid to equity shareholders	–	–	–	–	–	(48.3)	–	(48.3)
Purchase of own shares	–	–	(9.0)	–	–	–	–	(9.0)
Share placing	9.1	38.0	–	–	–	–	–	47.1
Share issue costs	–	(1.3)	–	–	–	–	–	(1.3)
Shares issued on acquisition of New Star	3.2	18.0	–	–	–	–	–	21.2
Issue of shares for SAYE	0.1	0.5	–	–	–	–	–	0.6
Issue of shares for BAYE	–	0.4	–	–	–	(0.4)	–	–
Vesting of share schemes	–	–	31.6	–	–	(31.6)	–	–
Movement in equity-settled share scheme expenses	–	–	–	–	–	15.9	–	15.9
At 31 December 2009	103.1	250.7	(51.6)	6.2	2.0	(29.2)	1.0	282.2
Total comprehensive income after tax	–	–	–	–	3.0	88.4	(0.5)	90.9
Dividends paid to equity shareholders	–	–	–	–	–	(49.0)	–	(49.0)
Purchase of own shares	–	–	(13.5)	–	–	–	–	(13.5)
Issue of shares for SAYE	–	0.2	–	–	–	–	–	0.2
Issue of shares for BAYE	0.2	1.9	–	–	–	(1.2)	–	0.9
Issue of shares for other share schemes	0.9	8.2	(9.1)	–	–	–	–	–
Vesting of share schemes	–	–	21.8	–	–	(21.8)	–	–
Movement in equity-settled share scheme expenses	–	–	–	–	–	18.0	–	18.0
Tax movement on share scheme expenses	–	–	–	–	–	25.2	–	25.2
At 31 December 2010	104.2	261.0	(52.4)	6.2	5.0	30.4	0.5	354.9

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For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Profit before tax		76.5	15.5
Adjustments to reconcile profit before tax to net cash flows from operating activities:			
– debt instrument interest expense	6	8.5	8.8
– share-based payment charges	10.2	18.0	15.9
– intangible amortisation	13	11.6	8.7
– computer software disposal	13	0.9	–
– goodwill impairment	13	8.7	–
– share of profit of associates and joint ventures	14.2	(2.0)	(1.4)
– plant and equipment depreciation	15	3.2	3.2
– available-for-sale financial assets impairment	16	1.8	7.5
– (gain)/loss on disposal of available-for-sale financial assets		(0.1)	2.0
– net deferred acquisition and commission costs and deferred income amortisation		0.1	(1.7)
– contributions to the Henderson Group Pension Scheme in excess of costs recognised		(7.5)	(5.6)
– Towry Law International provision release	22	(5.8)	–
– other provisions release	22	(0.1)	–
– void property finance charge	22	2.1	2.0
Cash flows from operating activities before changes in operating assets and liabilities		115.9	54.9
Changes in operating assets and liabilities	19.2	16.5	(27.7)
Net tax received/(paid)		1.8	(1.0)
Net cash flows from operating activities		134.2	26.2
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		9.7	35.1
Dividends from associates and distributions from joint ventures		1.8	1.3
Purchases of:			
– available-for-sale financial assets		(12.4)	(12.5)
– plant and equipment	15	(1.1)	(3.6)
– intangible assets	13	–	(0.5)
– interests in associates and joint ventures		(0.2)	(0.4)
Acquisition of subsidiaries, net of cash acquired		–	(54.5)
Net cash flows from investing activities		(2.2)	(35.1)
Cash flows from financing activities			
Proceeds from issue of shares		0.2	46.4
Purchase of own shares		(13.5)	(9.0)
Dividends paid to equity shareholders	11	(49.0)	(48.3)
Interest paid on debt instrument in issue		(11.4)	(11.4)
Net cash flows from financing activities		(73.7)	(22.3)
Effects of exchange rate changes		(0.7)	(1.9)
Net increase/(decrease) in cash and cash equivalents		57.6	(33.1)
Cash and cash equivalents at beginning of year		119.0	152.1
Cash and cash equivalents at end of year	19.1	176.6	119.0

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Administration costs		(1.1)	(0.7)
Loss before tax		(1.1)	(0.7)
Tax	8	–	–
Loss after tax		(1.1)	(0.7)

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 £m	2009 £m
Loss after tax	(1.1)	(0.7)
Total comprehensive expense after tax	(1.1)	(0.7)

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investment in subsidiaries	14.1	460.7	444.9
		460.7	444.9
Current assets			
Trade and other receivables	18	0.1	11.7
Cash and cash equivalents	19.1	0.1	0.8
		0.2	12.5
Total assets		460.9	457.4
Current liabilities			
Trade and other payables	24	3.3	1.9
Total liabilities		3.3	1.9
Net assets		457.6	455.5
Capital and reserves			
Share capital	25.2	104.2	103.1
Share premium		261.0	250.7
Own shares held		(52.4)	(51.6)
Profit and loss reserve		144.8	153.3
Total equity		457.6	455.5

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2011. They were signed on its behalf by:



Rupert Pennant-Rea
Chairman

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Own shares held £m	Profit and loss reserve £m	Total £m
At 1 January 2009	90.7	195.1	(74.2)	170.4	382.0
Total comprehensive expense after tax	–	–	–	(0.7)	(0.7)
Dividends paid to equity shareholders	–	–	–	(0.3)	(0.3)
Purchase of own shares	–	–	(9.0)	–	(9.0)
Share placing	9.1	38.0	–	–	47.1
Share issue costs	–	(1.3)	–	–	(1.3)
Shares issued on acquisition of New Star	3.2	18.0	–	–	21.2
Issue of shares for SAYE	0.1	0.5	–	–	0.6
Issue of shares for BAYE	–	0.4	–	(0.4)	–
Vesting of share schemes	–	–	31.6	(31.6)	–
Movement in equity-settled share scheme expenses	–	–	–	15.9	15.9
At 31 December 2009	103.1	250.7	(51.6)	153.3	455.5
Total comprehensive expense after tax	–	–	–	(1.1)	(1.1)
Purchase of own shares	–	–	(13.5)	–	(13.5)
Issue of shares for SAYE	–	0.2	–	–	0.2
Issue of shares for BAYE	0.2	1.9	–	(1.2)	0.9
Issue of shares for other share schemes	0.9	8.2	(9.1)	–	–
Vesting of share schemes	–	–	21.8	(21.8)	–
Movement in equity-settled share scheme expenses	–	–	–	15.6	15.6
At 31 December 2010	104.2	261.0	(52.4)	144.8	457.6

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Loss before tax		(1.1)	(0.7)
Changes in operating assets and liabilities	19.2	13.7	(11.8)
Net cash flows from operating activities		12.6	(12.5)
Cash flows from investing activities			
Acquisition of subsidiaries		–	(73.4)
Net cash flows from investing activities		–	(73.4)
Cash flows from financing activities			
Proceeds from issue of shares		0.2	46.3
Purchase of own shares		(13.5)	(6.3)
Proceeds of loans from subsidiary companies		–	47.0
Dividends paid to equity shareholders		–	(0.3)
Net cash flows from financing activities		(13.3)	86.7
Net (decrease)/increase in cash and cash equivalents		(0.7)	0.8
Cash and cash equivalents at beginning of year		0.8	–
Cash and cash equivalents at end of year	19.1	0.1	0.8

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

The Group and Company financial statements for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 22 February 2011 and the respective statements of financial position were signed on the Board's behalf by Rupert Pennant-Rea. Henderson Group plc is a public limited company incorporated in Jersey and tax resident in the Republic of Ireland. The Company's ordinary shares are traded on the LSE and CDIs are traded on the ASX.

The Group and Company financial statements have been prepared in accordance with IFRS and the provisions of the Companies (Jersey) Law 1991.

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 a going concern basis and 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 Henderson Group plc 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 accounts of all material subsidiaries 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 purpose 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. Non-controlling 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 management fees, transaction fees and performance fees (including earned carried interest). Management fees 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. However, where the value of the carried interest will be determined by the future disposal of investments which are quoted on a recognised exchange, then the Group will recognise carried interest to the extent deemed prudent. Carried interest for all other types of investments is only 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 55.

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.

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 bond yields 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 employees' service lives, 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 10.

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The awards are

2. Accounting policies continued

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. Deferred tax assets or liabilities are not recognised if they arise from goodwill, however, they are recognised on separately identified intangible assets. If the deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for. 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 by 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 and equity instruments issued by the acquirer. The fair value of a business combination is calculated 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 fair value of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill. Any costs incurred in relation to a business combination after 1 July 2009 are expensed when the services are received.

Goodwill

Goodwill arising on acquisitions 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 valuation for each cash generating unit 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 risk adjusted discount rate. 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 subsequently be reversed.

Investment management contracts

Investment management contracts have been identified as a separately identifiable intangible asset arising on the acquisition of subsidiaries. Intangible assets are recognised at the present value of the expected future cash flows of the investment management contracts acquired. The intangible asset is amortised on a straight-line basis over the expected life of the investment management contracts, currently estimated at approximately eight years.

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 investments

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 consolidated 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 paid by the Group in respect of certain investment products. These costs are 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 risk adjusted 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 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 has expired.

Financial assets

Purchases and sales of financial assets are recognised at the 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 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 as 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 as 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, are taken to the income statement in the current accounting period.

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. Realised gains and losses on financial assets are calculated as the difference between the net sales proceeds and cost or amortised cost.

Where a fall in the value of an investment is prolonged or significant, 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 has expired.

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

2. Accounting policies continued

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.

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 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 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. In the period in which the operation is disposed of, these translation differences are then recognised in the consolidated income statement.

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 fair value of the proceeds received or the market price at the day of issue. 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.

Own shares held

Own shares held are equity shares of the Company acquired by or issued to employee benefit trusts. 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, issue, sale 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 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.

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 goodwill

As explained on page 54, 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 13.

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.

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. 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 21.

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 22 and contingencies not provided for are disclosed in note 32.

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 53.

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 seven years for Private Equity and Property funds, and represent less than 50% of the underlying fund's equity. 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 financial statements.

2.3 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 revised and amended standards set by the International Accounting Standards Board (IASB).

IFRS 3 Business Combinations (revised)

This standard, which the Group adopted in 2010, introduced a number of changes to accounting for business combinations which will impact the amount of goodwill recognised on acquisition. The amendments will also impact the reported results in the period that an acquisition occurs as well as future results. During 2010, the Group acquired no new businesses.

IAS 27 Consolidated and Separate Financial Statements (amendment)

This standard 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 or gains or losses. Furthermore, on the loss of control of a subsidiary, the retained interest will be remeasured to fair value and therefore impact the gain or loss on disposal.

IAS 7 Statement of Cash Flows (effective 1 January 2010), which clarifies the treatment of expenditure recognised as a cash flow from investing activities and IAS 38 Intangible Assets (effective 1 July 2009) which discusses intangible assets as a result of a business combination have been amended due to the revision of IFRS 3. Additionally, IAS 36 Impairment of Assets (effective 1 January 2010) considers the treatment of units of accounting for goodwill. None of these changes has a material impact on the Group's net income or equity.

2.4 Future changes in accounting policies

During the course of the year, the IASB and the International Financial Reporting Interpretations Committee issued a number of new accounting standards, amendments to existing standards and interpretations. The following new standard is not applicable to these financial statements but is expected to have an impact when it becomes effective. The Group plans to apply this standard in the reporting period in which it becomes effective.

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.

3. Income

Group

	2010 £m	2009 £m
Gross fee income and commissions		
Gross fee income	438.3	334.6
Amortisation of deferred income	49.6	27.4
	487.9	362.0
Finance income		
Interest on cash and cash equivalents	1.5	2.8
Net investment income from, and gains and losses on, available-for-sale financial assets	(0.7)	1.5
Net losses arising on derivatives in a designated fair value hedge accounting relationship	(1.1)	(0.4)
Net gains arising on adjustment for hedged items in a designated fair value hedge accounting relationship	1.1	0.4
	0.8	4.3
Gross income	488.7	366.3
Commissions and fees payable		
Commissions and fees payable	(75.9)	(53.0)
Amortisation of deferred acquisition and commission costs	(49.9)	(25.7)
	(125.8)	(78.7)
Total income	362.9	287.6

4. Expenses

4.1 Operating costs

Group

	Note	2010 £m	2009 £m
Employee compensation and benefits	5.2	161.1	126.3
Operating leases		8.3	8.9
Investment administration		23.3	22.6
Information technology		12.7	11.5
Office expenses		7.9	7.3
Foreign exchange (gains)/losses		(1.6)	0.3
Other expenses		38.6	24.9
Total operating costs		250.3	201.8

Other expenses include marketing, travel and subsistence, and legal and professional costs. In 2010, other expenses also include £3.0m of costs incurred in relation to the potential acquisition of RidgeWorth on which the Group terminated discussions in June 2010.

4.2 Auditors' remuneration

Group and Company

	2010 £m	2009 £m
Fees payable to the Group's auditors for the audit of the Group's consolidated financial statements	0.3	0.3
Fees payable to the Group's auditors and their associates for other services:		
– statutory audit of the Group's subsidiaries	0.6	0.7
– other services pursuant to legislation	0.3	0.3
– other services	0.2	0.1
Total fees	1.4	1.4

The above analysis reflects the amounts billed by Ernst & Young LLP in the respective years. Included in the fees payable to the Group's auditors for the audit of the Group's 2010 consolidated financial statements are fees of £30,000 (2009: £30,000) for the audit of the Company's 2010 financial statements.

5. Employee compensation and benefits

5.1 Average number of employees

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

	Group		Company	
	2010 no.	2009 no.	2010 no.	2009 no.
Average number of employees	938	933	3	3

The total number of full-time employees at 31 December 2010 was 955 (2009: 939) for the Group and three (2009: three) for the Company.

5.2 Analysis of employee compensation and benefits expense

Employee compensation and benefits expense comprises:

	Notes	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Salaries, wages and bonuses		135.3	100.6	0.5	0.3
Share-based payments	10.2	14.2	13.9	–	–
Social security costs		8.9	7.4	0.2	0.2
Pension service cost	21	2.7	4.4	–	–
Total employee compensation and benefits expense		161.1	126.3	0.7	0.5

6. Finance costs

Group

	2010 £m	2009 £m
Debt instrument interest expense	8.5	8.8
Revolving credit facility fees	0.2	0.1
Total finance costs	8.7	8.9

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. In 2010, the impact of the amortisation of the profit on unwinding the swap is a reduction in finance costs of £3.1m (2009: £3.1m).

7. Non-recurring items

Group

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

	2010 £m	2009 £m
FSCS interim levy	(7.6)	–
Goodwill impairment	(8.7)	–
Towry Law International provision release	5.8	–
Impairment of available-for-sale financial assets - property seed capital	–	(7.3)
Infrastructure fund charge	–	(20.7)
Insurance recoveries	–	14.3
New Star integration costs	–	(33.8)
Non-recurring items before tax	(10.5)	(47.5)
Tax on non-recurring items	0.6	12.3
Non-recurring tax	16.4	–
Non-recurring items after tax	6.5	(35.2)

7. Non-recurring items continued

2010

FSCS interim levy

In November 2010, the FSCS indicated that it would raise an interim levy on investment managers in respect of claims received primarily from investors in Keydata Investment Services Limited (in administration). The Group has provided for this levy in full during 2010.

Goodwill impairment

The goodwill allocated to the NSIM cash generating unit, (a specialised segregated company formerly part of New Star), as a result of an earn out deal in respect of that company, has been impaired in full as a result of a 50% decline in AUM.

Towry Law International provision release

During the second half of 2010, the majority of a previously recognised product mis-selling provision, relating to legacy Towry Law International products, was deemed no longer required and was released. This resulted in a £5.8m credit in 2010.

Non-recurring tax

During the second half of 2010, HMRC closed enquiries into certain prior year tax filings, resulting in the Group releasing tax provisions of £16.4m.

2009

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 of £7.3m.

Infrastructure fund charge

During 2009, the Group recognised an exceptional charge of £20.7m in respect of management fees on one of its infrastructure funds.

Insurance recoveries

During 2009, the Group reached agreement with insurers regarding a number of insurance claims made by Towry Law International and Henderson Global Investors in 2003 and 2004 under an AMP Limited run-off insurance policy, resulting in a net receivable of £14.3m.

New Star integration costs

On 9 April 2009, the Group's acquisition of New Star was completed. An expense of £33.8m was incurred 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.

8. Tax**Tax recognised in the income statement**

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current tax:				
– charge/(credit) for the year	16.6	(1.0)	–	–
– prior periods adjustments	(14.8)	2.6	–	–
Deferred tax:				
– (credit)/charge for the year	(0.5)	6.0	–	–
– prior periods adjustments	(2.2)	(6.6)	–	–
Total tax (credited)/charged to the income statement	(0.9)	1.0	–	–

Tax recognised in the statement of comprehensive income

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred tax in relation to available-for-sale financial assets movements	0.6	0.6	–	–
Deferred tax in relation to actuarial gains/(losses)	3.9	(19.4)	–	–
Total tax charged/(credited) to the statement of comprehensive income	4.5	(18.8)	–	–

Reconciliation of profit before tax to tax credit

The tax credit for the year is reconciled to the profit before tax in the income statement as follows:

Group

	2010 £m	2009 £m
Profit before tax	76.5	15.5
Tax charge at the UK corporation tax rate of 28.0% (2009: 28.0%)	21.4	4.3
<i>Factors affecting the tax charge:</i>		
Other disallowable expenditure and non-taxable income	1.2	5.6
Prior period non-recurring provision release	(16.4)	–
Prior periods adjustments	(0.6)	(4.1)
Differences in effective tax rates on overseas profits	(5.6)	(4.3)
Changes in applicable statutory tax rates	(0.9)	–
Utilisation of previously unrecognised tax losses	–	(0.5)
Total tax (credited)/charged in the consolidated income statement	(0.9)	1.0

Company

	2010 £m	2009 £m
Loss before tax	(1.1)	(0.7)
Tax credit at the Republic of Ireland corporation tax rate 12.5% (2009: 12.5%)	(0.1)	(0.1)
<i>Factors affecting the tax credit:</i>		
Other disallowable expenditure and non-taxable income	–	0.1
Tax losses not recognised	0.1	–
Total tax charged in the Company income statement	–	–

9. Earnings per share

Group

The weighted average number of shares for the purpose of calculating earnings per share is as follows:

	2010 no. (millions)	2009 no. (millions)
Issued share capital	826.7	810.0
Less: own shares held	(38.3)	(50.7)
Weighted average number of ordinary shares for the purpose of basic earnings per share	788.4	759.3
Add: potential dilutive impact of share options and awards	60.8	50.1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	849.2	809.4

Basic and diluted earnings per share have been calculated on the profit attributable to equity holders of the parent. The difference between the weighted average number of shares used in the basic earnings per share and the diluted earnings per share calculations reflects the dilutive impact of options and unconditional awards of shares to employees (refer to note 10).

9.1 On underlying profit after tax attributable to equity holders of the parent

9.1.1 Earnings

	2010 £m	2009 £m
Profit after tax attributable to equity holders of the parent	77.9	13.8
Add back: intangible amortisation and void property finance charge adjusted for tax	9.2	7.7
Add back: non-recurring items adjusted for tax	(6.5)	35.2
Underlying profit after tax for the purpose of basic and diluted earnings per share	80.6	56.7

9.1.2 Earnings per share

	2010 pence	2009 pence
Basic	10.2	7.5
Diluted	9.5	7.0

9.2 On profit after tax attributable to equity holders of the parent

9.2.1 Earnings

	2010 £m	2009 £m
Earnings for the purpose of basic and diluted earnings per share	77.9	13.8

9.2.2 Earnings per share

	2010 pence	2009 pence
Basic	9.9	1.8
Diluted	9.2	1.7

10. Share-based payments

Group

10.1 Share-based compensation plans

The following share-based compensation plans were in operation during 2010:

Restricted Share Plan (RSP)

The RSP is a scheme that allows employees to receive shares in the Company for £nil consideration at a future point, usually after three years. The awards are made typically for staff recruitment and retention purposes. Generally, the larger awards have a performance hurdle. The Remuneration Committee must approve all awards and the vesting of awards over £50,000. 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 enables all staff, but not the Executive Directors, to voluntarily defer part of their annual bonus into the ESOP up to a specified limit. The ESOP provides one free matching share 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 or 2010. Matching shares for the 2008 plans will vest in June 2011.

Long-Term Incentive Plan (LTIP)

The LTIP is a scheme that allows selected employees to be granted shares or nil cost options. The options are granted on condition that the selected employees remain with the Group, normally for three years after the grant date, and the performance conditions for the plans are as follows:

Criteria	Amount vesting 2007 plan
Henderson Group TSR less than the 50th percentile of the FTSE 250 companies	nil%
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%

Criteria	Amount vesting 2008 to 2010 plans
Henderson Group TSR less than the 50th percentile of the FTSE 350 General Financial Services companies	nil%
Henderson Group TSR at the 50th percentile of the FTSE 350 General Financial Services companies	25%
Henderson Group TSR at or above the 75th percentile of the FTSE 350 General Financial Services companies	100%

For a Henderson Group TSR between the 50th and 75th percentiles, the amount vesting will increase on a linear basis. In addition, the Remuneration Committee must be satisfied the TSR reflects the underlying performance of the Group.

For the 2010 LTIP, certain employees who are US citizens have been awarded performance shares as opposed to nil cost options but the vesting and forfeiture criteria remain the same.

The employees are not entitled to vote or receive dividends in respect of these 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 vested in March 2010. The TSR performance condition resulted in 100% of the shares of the award being capable of exercise. The 2008 LTIP met its vesting conditions on 31 December 2010 and the awards will vest in February 2011. The TSR performance condition resulted in 100% of the shares of the award being capable of exercise.

Deferred Equity Plan (DEP)

Under the Group's 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 Company's shares, with some deferrals into Group managed funds when it is deemed appropriate. The deferred monies are paid to the DEP trustee, who purchases shares or funds and holds them in trust. In 2007, these 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 performance fee 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 Company's 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 and 2010 performance awards are deferred into the Company's shares for up to three years and vest in three equal tranches, starting in 2011 and 2012 respectively.

Buy As You Earn Share Plan (BAYE)

This is an HMRC approved plan. Eligible employees who wish to purchase shares in the Company 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.

10. Share-based payments continued

10.1 Share-based compensation plans continued

The Group introduced an international version of the BAYE during 2010. It operates on a similar basis to the UK version, except that each participating employee receives one free matching share for each share purchased.

Company Share Option Plan (CSOP)

The CSOP is a global plan that provides employees with an opportunity to buy 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 Group performance conditions attached to the options. At vesting, the employee must choose whether or not to exercise the options within two years of the vesting date. Executive Directors are not eligible to participate in the CSOP. A 2010 CSOP was introduced during the year.

Executive Shared Ownership Plan (ExSOP)

The ExSOP is an employee shared ownership plan and is aimed at encouraging employee share ownership at middle management level. Executive Directors are excluded from participating in the ExSOP.

Under the terms of the ExSOP, certain employees may be invited to acquire jointly with an employee benefit trust, the beneficial interest in a number of shares under the terms of a joint ownership agreement (JOA). Under a JOA, the employee will benefit from any growth in value of the jointly owned shares from the time of the award in excess of a hurdle amount fixed by the Board in respect of each award.

For the 2010 ExSOP, the market price at grant was £1.24 per share. The hurdle price including the 9% carry charge was set at £1.35 per share. The shares have a vesting period of three years. The employees have a further two years to take their portion of the jointly owned shares.

Sharesave scheme (SAYE)

The SAYE is an HMRC approved plan. UK employees may participate in more than one scheme but only up to a maximum of £250 per month across all schemes. Eligible employees who participate in the SAYE contribute a monthly amount from their net salary to a savings account. The SAYE vesting period is three years for UK employees.

A 2010 SAYE was introduced during the year. At the end of a three year period, the employees in the 2010 SAYE can choose to exercise their share options using the funds in their account, together with a bonus, equivalent to 0.3 (2008 SAYE: 2.4 and 2009 SAYE: 0.6) times the monthly saving amount, to subscribe for shares at a preset price, this being £1.00 (2008 SAYE: £0.76 and 2009 SAYE: £0.58) per share, a 20% discount to the average share price on the first five working days of March 2010 (2008 SAYE: 3 March 2008 and 2009 SAYE: 4 March 2009). 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 2007 SAYE vested in 2010.

In 2006, the Group launched the USA Employee Share Purchase Plan (ESPP). A 2010 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 USD1.62 (2008 ESPP: USD1.61 and 2009 ESPP: USD0.88). Employees may participate in more than one plan but only up to a plan maximum of USD312.50 per month across all plans.

10.2 Share-based payments through the consolidated income statement

	2010 £m	2009 £m
RSP	3.6	4.5
LTIP	3.5	2.2
DEP	2.9	1.1
BAYE	1.4	1.0
ESOP	1.3	4.0
CSOP	0.8	0.6
SAYE	0.6	0.5
ExSOP	0.1	–
Share-based payments expense	14.2	13.9

The total expense is analysed between:

	2010 £m	2009 £m
Share-based payments	14.2	13.9
Equity-settled bonuses recognised within salaries, wages and bonuses	5.9	2.3
Release of prepaid tax	(2.1)	–
Amounts to be settled in cash	–	(0.3)
Amounts to be settled with equity	18.0	15.9

10.3 Share options outstanding – SAYE

Share options outstanding under the Group's SAYE are as follows:

	2010		2009	
	Options no.	Weighted average exercise price £	Options no.	Weighted average exercise price £
At 1 January	5,380,788	0.636	4,374,413	0.785
Granted	890,160	1.004	4,341,540	0.586
Exercised (refer to note 25.2)	(163,439)	0.980	(839,308)	0.697
Forfeited	(536,130)	0.704	(2,495,857)	0.789
At 31 December	5,571,379	0.678	5,380,788	0.636

The weighted average share price on the date options were exercised during 2010 was £1.30 (2009: £0.95). There were no options exercisable at 31 December 2010 (2009: 10,284). The weighted average fair value of options granted during 2010 was £0.33 (2009: £0.22). At 31 December 2010, the expected weighted average time remaining until the vesting of outstanding awards was one year three months (2009: two years).

10.4 Share options outstanding – CSOP

Share options outstanding under the Group's CSOP are as follows:

	2010		2009	
	Options no.	Weighted average exercise price £	Options no.	Weighted average exercise price £
At 1 January	10,308,222	0.726	355,000	0.960
Granted	4,302,400	1.237	10,889,000	0.726
Exercised	(126,691)	0.726	(9,248)	0.726
Forfeited	(985,714)	0.816	(926,530)	0.816
At 31 December	13,498,217	0.882	10,308,222	0.726

There were 40,217 options exercisable at 31 December 2010 (2009: nil). The weighted average fair value of options granted during 2010 was £0.23 (2009: £0.19). At 31 December 2010, the expected weighted average time remaining until the vesting of outstanding awards was one year six months (2009: two years).

10.5 Jointly owned shares outstanding – ExSOP

Jointly owned shares outstanding under the Group's ExSOP are as follows:

	2010		2009	
	Jointly owned shares no.	Weighted average exercise price £	Jointly owned shares no.	Weighted average exercise price £
At 1 January	–	–	–	–
Granted	3,640,800	1.240	–	–
Exercised	–	–	–	–
Forfeited	(43,800)	1.240	–	–
At 31 December	3,597,000	1.240	–	–

The ExSOP commenced in 2010. There were no jointly owned shares exercisable at 31 December 2010. The fair value of the jointly owned shares granted during 2010 was £0.20. At 31 December 2010, the expected weighted average time remaining until the vesting of outstanding awards was two years six months.

10. Share-based payments continued**10.6 Fair values of share-based compensation plans**

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

	2008 SAYE	2008 CSOP	2009 SAYE	2009 CSOP	2010 SAYE	2010 CSOP	2010 ExSOP
Dividend yield	6.0%	6.0%	6.0%	6.0%	5.36%	5.36%	5.36%
Expected volatility	45.0%	45.0%	45.0%	45.0%	35.8%	35.8%	35.8%
Risk-free interest rate	5.0%	5.0%	4.0%	4.0%	3.55%	3.55%	3.55%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Weighted average share price	£0.960	£0.960	£0.726	£0.726	£1.250	£1.240	£1.240
Exercise price	£0.768	£0.960	£0.582	£0.726	£0.997	£1.240	£1.350

Expected volatility has been calculated based on the historical volatility for the Company shares over three years.

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

Scheme	Shares granted during 2010 no.	Average grant share price £
BAYE	1,737,536	1.281
LTIP	13,375,000	1.267
RSP	1,794,632	1.275
DEP	4,305,306	1.301

The fair value calculation for the LTIP includes a statistical assessment of the likelihood of the Company achieving performance targets as set out in the plan.

11. Dividends paid and proposed
Company

	2010 £m	2010 pence per share	2009 £m	2009 pence per share
Dividends on ordinary shares declared and paid in the period				
Final dividend in respect of 2H09 (2H08)	34.1	4.25	33.6	4.25
Interim dividend in respect of 1H10 (1H09)	14.9	1.85	14.7	1.85
Total dividends paid and charged to equity	49.0	6.10	48.3	6.10
	2010 £m	2010 pence per share	2009 £m	2009 pence per share
Dividends proposed on ordinary shares for approval by the shareholders at the AGM				
Final dividend for 2H10 (2H09)	38.8	4.65	35.1	4.25

The Board is recommending a final dividend for 2H10 of 4.65 pence per share which, when added to the interim 1H10 dividend of 1.85 pence per share, results in a total dividend for 2010 of 6.50 pence per share.

The dividend proposed in respect of 2H10 of £38.8m is based on the total number of ordinary shares in issue at 31 December 2010. As referred to in note 34, an additional £11.3m of dividends may be payable as a result of the Gartmore Acquisition.

The difference between the proposed dividends (2H09 final: £35.1m, 1H10 interim: £15.3m), as reported in the 2009 Annual Report and Accounts and the Interim Results for the six months to 30 June 2010, and the dividends paid out during the year (2H09 final: £34.1m, 1H10 interim: £14.9m), represents a decrease of £1.4m due to the dividends waived by employee benefit trust trustees on shares held in trust on behalf of Group employees. The amount waived in respect of the final dividend declared for 2010 will be established by the employee benefit trust trustees on 6 May 2011, being the dividend record date.

Pursuant to the Income Access Share arrangements, shareholders in the Company are able to elect to receive their dividends from a UK source. Shareholders will be deemed to have elected to receive their dividends under the Income Access Share arrangements unless they have elected to receive them directly from the Company. All elections remain in force indefinitely unless revoked. Shareholders who have opted out of the Income Access Share arrangements will receive dividends from an Irish source and will be taxed accordingly.

12. Segmental information

Group operating income and net assets

Henderson 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, on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board and, on this basis, the Group is a single segment investment management business.

Entity-wide disclosures

Revenues by product

	2010 £m	2009 £m
UK wholesale	188.3	121.5
Horizon wholesale	63.2	39.7
Property	59.6	52.6
Institutional and cash funds	57.3	41.7
US wholesale	34.3	25.3
Hedge funds	19.5	19.4
Other	65.7	61.8
Gross fee income and commissions	487.9	362.0

Geographic information

Revenues from clients

	2010 £m	2009 £m
UK	386.2	281.5
Luxembourg	44.4	22.6
US	33.0	26.0
Singapore	8.2	7.0
Ireland	2.4	3.0
Other	13.7	21.9
Gross fee income and commissions	487.9	362.0

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

	2010 £m	2009 £m
UK	421.4	428.6
Other	9.9	10.6
	431.3	439.2

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.

13. Intangible assets

Group

Intangible assets are made up as follows:

2010

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	285.7	86.9	2.4	375.0
Impairment	(8.7)	–	–	(8.7)
Disposal	–	–	(0.9)	(0.9)
At 31 December	277.0	86.9	1.5	365.4
Amortisation				
At 1 January	–	(8.4)	(0.4)	(8.8)
Amortisation charge	–	(11.2)	(0.4)	(11.6)
At 31 December	–	(19.6)	(0.8)	(20.4)
Carrying value at 31 December	277.0	67.3	0.7	345.0

2009

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	224.3	–	1.9	226.2
Additions	–	–	0.5	0.5
Assets arising on business combinations	61.4	86.9	–	148.3
At 31 December	285.7	86.9	2.4	375.0
Amortisation				
At 1 January	–	–	(0.1)	(0.1)
Amortisation charge	–	(8.4)	(0.3)	(8.7)
At 31 December	–	(8.4)	(0.4)	(8.8)
Carrying value at 31 December	285.7	78.5	2.0	366.2

The Group considered itself to have two cash generating units to which goodwill was allocated, being NSIM, formerly part of the New Star group, as one and the rest of the Group as the other. As part of the NSIM earn out deal, NSIM was valued at £13.5m whilst the net assets acquired were £4.8m, resulting in an allocation of £8.7m of purchased goodwill. Management conducted a valuation of NSIM based on the budgets and forecasts approved by the Board. Based on this valuation, the goodwill allocated to NSIM is impaired in full and as a result a charge of £8.7m is recognised in the Group's consolidated income statement as a non-recurring item.

The recoverable amount of goodwill for the rest of the Group at 31 December 2010 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 risk adjusted discount rate of 11.6% per annum has been applied.

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.

The value in use calculation has been flexed for a 25% reduction in annual fund flows, a 40% drop in markets in 2011 with a recovery after two years and a corresponding decrease in costs. This calculation also shows headroom in the recoverable amount of goodwill. The ability of the Group to manage its cost base during periods of market weakness has not been factored into this scenario, but would further increase headroom in the recoverable amount of goodwill.

Recent market transactions and the Group's current market capitalisation provide additional evidence that the recoverable amount of goodwill is in excess of the carrying amount.

14. Investments in subsidiaries, associates and joint ventures

14.1 Principal subsidiaries

Company

Investment in subsidiaries

	2010 £m	2009 £m
At 31 December	460.7	444.9

The directly held subsidiaries of the Company are as follows:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2010	Percentage owned 2009
Henderson Global Group Limited	Republic of Ireland	GBP	100%	100%

Group

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

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2010	Percentage owned 2009
Henderson Administration Limited	UK	GBP	100%	100%
Henderson Alternative Investment Advisor Limited	UK	GBP	100%	100%
Henderson Equity Partners Limited	UK	GBP	100%	100%
Henderson Finances	UK	GBP	100%	100%
Henderson Fund Management Limited	UK	GBP	100%	100%
Henderson Global Investors (Jersey) 2 Limited	Jersey and UK	GBP	100%	100%
Henderson Global Investors (Holdings) Limited	UK	GBP	100%	100%
Henderson Global Investors (International Holdings) BV	Netherlands and UK	EUR	100%	100%
Henderson Global Investors Limited	UK	GBP	100%	100%
Henderson Global Investors (North America) Inc.	USA	USD	100%	100%
Henderson Global Investors (Singapore) Limited	Singapore	SGD	100%	100%
Henderson Holdings Group Limited	UK	GBP	100%	100%
Henderson Holdings Group BV	Netherlands	GBP	100%	100%
Henderson Holdings Limited	UK	GBP	100%	100%
Henderson International Holdings Limited	Jersey and UK	GBP	100%	100%
Henderson International Inc.	USA	USD	100%	100%
Henderson Investment Funds Limited	UK	GBP	100%	100%
Henderson Investment Management Limited	UK	GBP	100%	100%
Henderson Management SA	Luxembourg	USD	100%	100%
HGI Group Limited	UK	GBP	100%	100%
New Star Asset Management Group Limited	UK	GBP	100%	100%
New Star Asset Management Holdings Limited	UK	GBP	100%	100%
New Star Asset Management Limited	UK	GBP	100%	100%
New Star Investment Funds Limited	UK	GBP	100%	100%
New Star Institutional Managers Limited	UK	GBP	25%	25%

The information disclosed in the table above is only in respect of those subsidiaries which principally affect the figures shown in the Group's consolidated financial statements. There are a number of other subsidiaries which do not materially affect the Group's results or net assets. Particulars of these subsidiaries have been omitted for simplification purposes.

14. Investments in subsidiaries, associates and joint ventures continued**14.2 Associates and joint ventures**

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

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2010	Percentage owned 2009
Asia Real Estate Fund Management Limited	Singapore	SGD	50%	50%
Asia Real Estate Fund Management BVI	British Virgin Islands	USD	50%	50%
Attunga Capital Pty Limited	Australia	AUD	30%	30%
Henderson-mfi Shopping Centre Verwaltungs GmbH	Germany	EUR	50%	50%
HGI Immobilien GmbH	Germany	EUR	50%	50%
New Star Canada Inc.	Canada	CAD	50%	50%
Warburg-Henderson Kapitalanlagegesellschaft für Immobilien mbH	Germany	EUR	50%	50%

The Group's share of net assets and profit of associates and joint ventures is as follows:

	2010 £m	2009 £m
Share of aggregate net assets	6.8	6.4
Share of profit for the year	2.0	1.4

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.

15. Plant and equipment**Group**

	2010 £m	2009 £m
Cost		
At 1 January	34.4	31.1
Additions	1.1	2.7
Acquisitions through business combinations	–	1.0
Disposals	(0.1)	(0.4)
Foreign exchange movement	0.4	–
At 31 December	35.8	34.4
Depreciation		
At 1 January	(11.4)	(8.5)
Charge	(3.2)	(3.2)
Disposals	–	0.3
At 31 December	(14.6)	(11.4)
Net book value at 31 December	21.2	23.0

Included in cost as at 31 December 2010 were fully depreciated assets amounting to £2.8m (2009: £1.3m).

16. Fair value of financial instruments**Group****Total financial assets and liabilities**

	Notes	Carrying value		Fair value	
		2010 £m	2009 £m	2010 £m	2009 £m
Financial assets					
<i>Current assets:</i>					
Financial assets at fair value through profit or loss					
Shares/units in OEICs/unit trusts		1.2	0.9	1.2	0.9
Other financial assets					
Available-for-sale financial assets		46.6	41.7	46.6	41.7
OEIC, unit trust, trade and other debtors	18	62.4	86.7	62.4	86.7
Derivative financial instruments	18	–	0.2	–	0.2
Cash and cash equivalents	19.1	176.6	119.0	176.6	119.0
Total financial assets		286.8	248.5	286.8	248.5
Financial liabilities					
<i>Non-current liabilities:</i>					
Debt instrument in issue	20	179.1	181.9	179.2	173.5
<i>Current liabilities:</i>					
OEIC, unit trust and other creditors	24	71.6	72.5	71.6	72.5
Derivative financial instruments	24	0.1	1.0	0.1	1.0
Total financial liabilities		250.8	255.4	250.9	247.0

The Group enters into forward foreign exchange contracts to hedge various financial assets and liabilities denominated in foreign currency and therefore applies fair value hedge accounting. In 2008, an interest rate swap held on the 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 and the charge is recognised in the consolidated income statement over the remaining term of the debt, which matures on 2 May 2012 (refer to note 20).

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.

16. Fair value of financial instruments continued**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets 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 a 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 market data.

	Note	2010 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets					
<i>Current assets:</i>					
Financial assets at fair value through profit or loss					
Shares/units in OEICs/unit trusts		1.2	1.2	–	–
Other financial assets					
Available-for-sale financial assets		46.6	3.1	3.1	40.4
Total financial assets		47.8	4.3	3.1	40.4
Financial liabilities					
<i>Current liabilities:</i>					
Derivative financial instruments	24	0.1	0.1	–	–
Total financial liabilities		0.1	0.1	–	–

	Notes	2009 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets					
<i>Current assets:</i>					
Financial assets at fair value through profit or loss					
Shares/units in OEICs/unit trusts		0.9	0.9	–	–
Other financial assets					
Available-for-sale financial assets		41.7	1.0	1.5	39.2
Derivative financial instruments	18	0.2	0.2	–	–
Total financial assets		42.8	2.1	1.5	39.2
Financial liabilities					
<i>Current liabilities:</i>					
Derivative financial instruments	24	1.0	1.0	–	–
Total financial liabilities		1.0	1.0	–	–

During 2010, there were no transfers between Level 1 and Level 2 fair value measurements (2009: £nil) and no transfers into or out of Level 3 fair value measurements (2009: £nil).

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

	2010 £m	2009 £m
Fair value at 1 January	39.2	45.8
Additions	1.4	6.3
Disposals	(1.1)	–
Fair value movements recognised in the consolidated statement of comprehensive income	2.7	(5.4)
Impairment recognised in the consolidated income statement	(1.8)	(7.5)
Fair value at 31 December	40.4	39.2

As the fair value measurement of the financial assets 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 fair value.

17. Deferred acquisition and commission costs**Group**

	2010 £m	2009 £m
At 1 January	77.0	34.9
Costs and commissions capitalised	86.4	68.2
Amortisation charge	(49.9)	(25.7)
Foreign exchange movement	0.1	(0.4)
At 31 December	113.6	77.0
Non-current	58.3	43.6
Current	55.3	33.4
At 31 December	113.6	77.0

18. Trade and other receivables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
OEIC and unit trust debtors	42.1	47.0	–	–
Derivative financial instruments	–	0.2	–	–
Trade debtors	8.2	18.2	–	–
Accrued income	71.9	56.1	–	–
Other debtors	12.1	21.5	–	–
Prepayments	7.3	3.8	–	–
Amounts owed by subsidiaries	–	–	0.1	11.7
	141.6	146.8	0.1	11.7

19. Cash and cash equivalents**19.1 Cash and cash equivalents**

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash at bank and in hand	48.7	47.7	0.1	0.8
Cash equivalents	127.9	71.3	–	–
Cash and cash equivalents	176.6	119.0	0.1	0.8

Cash and cash equivalents consist of cash in hand, cash at bank and short-term investments with financial institutions with same day or next day maturity.

Included within cash and cash equivalents as at 31 December 2010 is £5.0m (2009: £5.3m) of restricted cash. Restricted amounts represent £4.7m (2009: £4.7m) held in escrow for the Pension Scheme and £0.3m (2009: £0.6m) of funds held in New Star employee benefit trusts. In addition, as at 31 December 2010 £17.4m (2009: £1.6m) of cash at bank and in hand was held in the Group's manager dealing accounts which represent payments due to and from OEIC and units trusts as a result of client trading.

19.2 Changes in operating assets and liabilities

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Change in OEICs and unit trusts debtors and creditors	3.8	6.2	–	–
Increase in gross deferred acquisition and commission costs	(86.4)	(68.2)	–	–
(Increase)/decrease in other assets	(0.3)	36.8	12.3	(11.7)
Increase in gross deferred income	88.2	70.8	–	–
Increase/(decrease) in provisions and other liabilities	11.2	(73.3)	1.4	(0.1)
Changes in operating assets and liabilities	16.5	(27.7)	13.7	(11.8)

20. Debt instrument in issue

Group

	2010 Carrying value £m	2010 Fair value £m	2009 Carrying value £m	2009 Fair value £m
Debt instrument in issue	179.1	179.2	181.9	173.5

The debt instrument in issue represents £175m senior, unrated, fixed rate notes listed on the LSE. The debt instrument is unsecured and repayable in full on 2 May 2012 and bears interest at a fixed rate of 6.5% per annum payable every six months. The debt instrument was issued by HGI Group Limited (HGI GL), a subsidiary of the Company.

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 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. As at 31 December 2010, £4.1m (2009: £7.2m) remains to be amortised.

On 30 January 2009, the Group entered into a revolving credit facility agreement with a syndicate of banks. The facility limit was £25m and was due to terminate on 31 March 2012. The Group has not drawn on the facility since entering into the agreement. As referred to in note 34, subsequent to 31 December 2010 the Group has cancelled this facility.

21. Retirement benefits

Group

Retirement benefit assets recognised in the consolidated statement of financial position

	Note	2010 £m	2009 £m
Henderson Group Pension Scheme	21.1	112.5	90.0

Retirement benefit obligations recognised in the consolidated statement of financial position

	Note	2010 £m	2009 £m
Henderson Group unapproved pension schemes	21.2	6.2	6.1

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

	Notes	2010 £m	2009 £m
Henderson Group Pension Scheme	21.1	(2.3)	(0.7)
Money Purchase Scheme		4.7	4.7
Henderson Group unapproved pension schemes	21.2	0.3	0.4
		2.7	4.4

Amounts recognised in the consolidated statement of comprehensive income

	Notes	2010 £m	2009 £m
Henderson Group Pension Scheme	21.1	14.8	(68.5)
Henderson Group unapproved pension schemes	21.2	–	(1.2)
Actuarial gains/(losses) recognised in the consolidated statement of comprehensive income		14.8	(69.7)

Employer contributions

The Group expects to contribute approximately £8.7m to the Pension Scheme in the year ending 31 December 2011.

21.1 Henderson Group Pension Scheme – Final Salary Scheme

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 HGIGL 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 2010 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 until 31 December 2010. The Pension Scheme assets are stated at their fair values as at 31 December 2010. The next triennial valuation will take place during 2012 based on 31 December 2011 membership data.

Reconciliation of present value of defined benefit obligations

	2010 £m	2009 £m
At 1 January	312.8	251.9
Current service cost	3.2	2.7
Interest cost	17.4	16.0
Actuarial losses	11.5	50.0
Benefit payments	(8.1)	(7.8)
At 31 December	336.8	312.8

Reconciliation of the fair value of defined benefit scheme assets

	2010 £m	2009 £m
At 1 January	402.8	404.4
Expected return on scheme assets	22.9	19.4
Actuarial gains/(losses)	26.3	(18.5)
Contributions	5.4	5.3
Benefit payments	(8.1)	(7.8)
At 31 December	449.3	402.8

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

	2010 £m	2009 £m
Present value of defined benefit obligations	(336.8)	(312.8)
Fair value of defined benefit scheme assets	449.3	402.8
Net retirement benefit asset at 31 December	112.5	90.0

Pension service credit recognised in the consolidated income statement

	2010 £m	2009 £m
Current service cost	3.2	2.7
Interest cost	17.4	16.0
Expected return on scheme assets	(22.9)	(19.4)
Pension service credit	(2.3)	(0.7)

Amounts recognised in the consolidated statement of comprehensive income

	2010 £m	2009 £m
At 1 January	7.6	76.1
Actuarial gains/(losses) recognised in the consolidated statement of comprehensive income	14.8	(68.5)
At 31 December	22.4	7.6

21. Retirement benefits continued**21.1 Henderson Group Pension Scheme – Final Salary Scheme** continued**Movements in net asset recognised in the consolidated statement of financial position**

	2010 £m	2009 £m
At 1 January	90.0	152.5
Pension service credit recognised in the consolidated income statement	2.3	0.7
Contributions	5.4	5.3
Actuarial gains/(losses) recognised in the consolidated statement of comprehensive income	14.8	(68.5)
At 31 December	112.5	90.0

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 scheme assets

	Market value		% as a total of assets		Expected rate of return	
	2010 £m	2009 £m	2010 %	2009 %	2010 %	2009 %
Final salary section						
Risk reducing portfolio	236.4	192.9	53	48	4.2	4.4
Return seeking portfolio	199.1	209.0	44	52	7.2	7.0
Cash portfolio	13.8	0.9	3	–	4.2	4.4
Total	449.3	402.8	100	100	5.5	5.7

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 portfolios as shown above. The expected rate of return on assets is based on long-term expectations as at 31 December 2010. The expected rate of return on bonds and swaps, constituting the risk reducing portfolio, has been set by reference to current market yields on long-dated government bonds. The rates of return for the equities, property and cash asset classes, constituting the return seeking and cash portfolios, have been based on the Group's expectations of investment returns over the longer term.

Actual return on defined benefit scheme assets

	2010 £m	2009 £m
Actual return on scheme assets	49.2	0.9

Principal actuarial assumptions**(a) Financial assumptions**

	2010 % per annum	2009 % per annum
Discount rate	5.4	5.6
Expected rate of return on scheme assets	5.5	5.7
Salary increases	2.5	2.5
Pension increases:		
– where liability is the Retail Price Index (RPI) capped at 5% per annum	3.4	3.6
– where liability is the RPI capped at 2.5% per annum	2.3	2.4
– where liability is fixed	At fixed rate	At fixed rate
Inflation	3.6	3.7

On 8 July 2010, the UK Government announced its intention that statutory minimum pension indexation for private sector UK pension schemes would, in future, be linked to the Consumer Price Index (CPI) rather than RPI, and the consultation period ends on 2 March 2011. As a result, the Group has continued to value the liabilities in the Pension Scheme using RPI rather than CPI.

(b) Demographic assumptions

The demographic assumptions used as at 31 December 2010 are those underlying the last actuarial valuation of the Pension Scheme in 2008. Post-retirement mortality assumptions follow 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 implied life expectancies as at 31 December 2010 using this mortality assumption:

	Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	27.9	29.4
Life expectancy at 60 for a member who is currently 45	29.3	30.9

(c) Historical amounts

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Defined benefit obligations	(336.8)	(312.8)	(251.9)	(282.4)	(311.8)
Defined benefit scheme assets	449.3	402.8	404.4	344.7	306.8
Surplus/(deficit) in the Pension Scheme	112.5	90.0	152.5	62.3	(5.0)
Experience (losses)/gains on scheme liabilities	(0.9)	12.1	(1.2)	(0.5)	8.5
Experience gains/(losses) on scheme assets	26.3	(18.5)	20.6	1.2	(3.7)
Net experience gains/(losses)	25.4	(6.4)	19.4	0.7	4.8

21.2 Henderson Group unapproved pension schemes

The Group operates three 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 provided 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

	2010 £m	2009 £m
At 1 January	6.1	4.7
Current service cost	–	0.1
Interest cost	0.3	0.3
Actuarial losses	–	1.2
Benefit payments	(0.2)	(0.2)
At 31 December	6.2	6.1

Summary of the defined benefit obligations at 31 December

	2010 £m	2009 £m
Pearl Executive Scheme	5.1	5.0
Henderson Top Up Scheme	0.9	0.9
Individual contractual promise	0.2	0.2
Total	6.2	6.1

21. Retirement benefits continued**21.2 Henderson Group unapproved pension schemes** continued**Reconciliation of defined benefit liability recognised in the consolidated statement of financial position**

	2010 £m	2009 £m
Present value of defined benefit obligations	6.2	6.1
Fair value of defined benefit scheme assets	–	–
Net benefit liability at 31 December	6.2	6.1

Pension service cost recognised in the consolidated income statement

	2010 £m	2009 £m
Current service cost	–	0.1
Interest cost	0.3	0.3
Pension service cost	0.3	0.4

Amounts recognised in the consolidated statement of comprehensive income

	2010 £m	2009 £m
At 1 January	1.8	3.0
Actuarial losses recognised in the consolidated statement of comprehensive income	–	(1.2)
At 31 December	1.8	1.8

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

	2010 £m	2009 £m
At 1 January	6.1	4.7
Pension service cost recognised in the consolidated income statement	0.3	0.4
Actuarial losses recognised in the consolidated statement of comprehensive income	–	1.2
Benefit payments	(0.2)	(0.2)
At 31 December	6.2	6.1

Principal actuarial assumptions

(a) Financial assumptions

	2010 % per annum	2009 % per annum
Discount rate	5.4	5.6
Salary increases	n/a	n/a
Pension increases:		
– where liability is the RPI	3.4	3.6
– where liability is fixed	At fixed rate	At fixed rate
Inflation	3.6	3.7

(b) Demographic assumptions

The demographic assumptions used as at 31 December 2010 are those underlying the last actuarial valuation of the Pension Scheme in 2008. Post-retirement mortality assumptions follow 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 implied life expectancies as at 31 December 2010 using this mortality assumption:

	Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	27.9	29.4
Life expectancy at 60 for a member who is currently 45	29.3	30.9

(c) Historical amounts

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Defined benefit obligations	6.2	6.1	4.7	5.2	5.5
Defined benefit scheme assets	–	–	–	–	(0.1)
Deficit in the pension schemes	6.2	6.1	4.7	5.2	5.4
Experience (losses)/gains on scheme liabilities	–	–	(0.1)	0.2	0.5

Employer contributions

The Group does not expect to contribute to the unapproved pension arrangements in the year ending 31 December 2011.

22. Provisions

Group

	Void properties £m	Staff related £m	FSCS interim levy £m	Other £m	Total £m
At 1 January 2010	19.1	4.1	–	31.3	54.5
Additions	–	–	7.6	0.2	7.8
Finance charge	2.1	–	–	–	2.1
Provisions utilised	(5.0)	(0.3)	–	(0.7)	(6.0)
Provision released	–	–	–	(5.9)	(5.9)
Foreign exchange movement	–	0.1	–	0.1	0.2
At 31 December 2010	16.2	3.9	7.6	25.0	52.7
Non-current	13.0	1.3	–	11.0	25.3
Current	3.2	2.6	7.6	14.0	27.4
At 31 December 2010	16.2	3.9	7.6	25.0	52.7

Void properties

The void properties provision reflects the net present value of the excess of lease rentals and other payments on onerous contracts that were acquired on the acquisition of New Star, over the amounts expected to be recovered from subletting these properties. The discounting of expected cash flows will be unwound during the term of the underlying leases (maximum of 12 years) as a void property finance charge to the consolidated income statement.

Staff related

Staff-related provisions have been recognised in respect of a 2009 business restructure and New Star staff legacy issues.

FSCS interim levy

The FSCS interim levy provision reflects the non-recurring charges raised in 2010 (refer to note 7).

Other

Other provisions relate to issues which have arisen as a result of litigation and obligations during the course of the Group's business activities. The provisions released during 2010 include £5.8m in relation to a Towry Law International product mis-selling provision established in 2004 (refer to note 7).

All provisions reflect the Group's current estimates of amounts and timings.

23. Deferred tax

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

Group

Deferred tax assets/(liabilities)	Accelerated capital allowances £m	Retirement benefits £m	Other temporary differences £m	Total £m
At 1 January 2009	0.1	(38.7)	(0.7)	(39.3)
Acquisitions through business combinations	–	–	8.0	8.0
Deferred tax on intangible assets	–	–	(24.3)	(24.3)
Current year credit/(charge) to the consolidated income statement	1.7	(4.1)	3.0	0.6
Current year credit/(charge) to the consolidated statement of comprehensive income	–	19.4	(0.6)	18.8
At 31 December 2009	1.8	(23.4)	(14.6)	(36.2)
Current year credit/(charge) to the consolidated income statement	1.8	(1.4)	2.3	2.7
Impact of foreign exchange movement	–	–	0.5	0.5
Current year charge to the consolidated statement of comprehensive income	–	(3.9)	(0.6)	(4.5)
Current year credit to the consolidated statement of changes in equity	–	–	17.7	17.7
At 31 December 2010	3.6	(28.7)	5.3	(19.8)

Deferred tax assets and liabilities in the above summary have been grossed up as follows:

	Assets £m	Liabilities £m	Total £m
At 31 December 2009	15.4	(51.6)	(36.2)
At 31 December 2010	30.3	(50.1)	(19.8)

During 2010, £17.7m was recognised in equity in relation to deferred tax. This represents the amount by which the expected tax deduction exceeds the cumulative remuneration expense for share-based payments.

The change in the UK corporation tax rate from 28% to 27% resulted in a reduction of £0.9m in the net deferred tax liability. The Government has announced its intention to reduce the UK corporation tax rate by 1% per annum to 24% effective from 1 April 2014. Recognised deferred tax assets and liabilities at each balance sheet date during this period will reflect the change in UK corporation tax rate enacted or substantially enacted at that reporting date.

At 31 December 2010, 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 £29.9m (2009: £26.7m). The unrecognised deferred tax asset in respect of capital losses carried forward is £16.1m (2009: £16.1m). The trading and capital 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.

24. Trade and other payables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
OEIC and unit trust creditors	52.7	53.8	–	–
Derivative financial instruments	0.1	1.0	–	–
Other creditors	18.9	18.7	–	–
Accruals	150.3	138.0	–	–
Amounts owed to subsidiaries	–	–	3.3	1.9
	222.0	211.5	3.3	1.9

25. Share capital**25.1 Authorised share capital**

	Group and Company	
	2010 £m	2009 £m
1,949,910,776 ordinary shares of 12.5 pence each	243.7	243.7

25.2 Allotted share capital

Allotted, called up and fully paid equity shares:

Shares in issue	Group and Company	
	no.	£m
At 1 January 2009	725,249,254	90.7
Share placing	72,324,352	9.1
Shares issued on acquisition of New Star	25,774,190	3.2
Issue of shares for SAYE	839,308	0.1
Issue of shares for BAYE	533,500	–
At 31 December 2009	824,720,604	103.1
Issue of shares for SAYE	163,439	–
Issue of shares for BAYE	1,651,129	0.2
Issue of shares for other share schemes	7,283,329	0.9
At 31 December 2010	833,818,501	104.2

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

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.

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 49 and 55 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 or the market price on the day of issue if held by the Group as own shares.

Own shares held

Total own shares held had a cost of £52.4m (2009: £51.6m) and a market value of £59.4m (2009: £57.9m) as at 31 December 2010 and constituted 5.6% (2009: 5.6%) of the Company's issued share capital as at that date.

	2010 no. of shares	2009 no. of shares
Henderson Employee Trust 2000	19,433,557	31,978,029
HHG plc Employee Trust 2004 (2004 LTIP)	373,079	2,339,998
Henderson Employee Trust 2009	14,807,210	3,914,352
Henderson Group plc Employee Trust 2009 (2009 LTIP)	12,129,575	3,727,868
Ogier Nominee (Jersey) Limited	–	4,531,307
Affiliate Computer Services (ACS)	119,978	90,752
	46,863,399	46,582,306

The Henderson Employee Trust 2000, HHG plc Employee Trust 2004 (2004 LTIP), Henderson Employee Trust 2009, Henderson Group plc Employee Trust 2009 (2009 LTIP), BAYE and CSOP are used by the Group to operate the RSP, ESOP, LTIP, DEP, BAYE, ExSOP and CSOP share-based payment schemes.

Shares are distributed to employees as and when they vest, in line with the terms of each scheme, under the administration of the trustees.

ACS (formerly ExcellerateHRO, a subsidiary company of Xerox) administers the following trusts:

- Henderson Employee Trust 2000;
- Henderson Group plc Employee Trust 2004 (2004 LTIP);
- Henderson Employee Trust 2009;
- Henderson Group plc Employee Trust 2009 (2009 LTIP);
- BAYE; and
- CSOP.

Shares previously held with Ogier Nominee (Jersey) Limited were transferred on consolidation of the administration of the share schemes.

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 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 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 is recognised in the consolidated income statement.

27. Non-controlling interests

The Group has consolidated the following companies in which the following non-controlling interests are held by third parties:

	2010 non-controlling interest %	2009 non-controlling interest %	2010 non-controlling interest £m	2009 non-controlling interest £m
HGI Immobilien Austria GmbH	35%	35%	0.4	0.4
New Star Institutional Managers Limited	75%	75%	1.5	0.6
WorldInvest Management Limited	75%	75%	(1.4)	–
At 31 December			0.5	1.0

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 is 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 and separate disclosures for the Company have not been included.

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 for a listed company. The management of risk within the Group is governed by the Board and overseen by the Risk Committee.

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 seven years for Private Equity and Property funds. The total market value of seed capital investments at 31 December 2010 was £46.6m (2009: £41.7m).

Management monitors exposures to price risk on an ongoing basis. Significant movements in investment values are monitored on a daily basis. Where appropriate, management will hedge price risk. At 31 December 2010, investments with a carrying value of £2.9m (2009: £nil) were hedged against price risk through the use of contracts for difference (CFDs).

A fall in the value of an investment which is prolonged or significant is considered to be objective evidence of impairment under IAS 39. In such an event, an investment is written down to its fair value and cumulative 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

	2010		2009	
	Consolidated income statement £m	Other comprehensive income £m	Consolidated income statement £m	Other comprehensive income £m
Market value movement +/- 10%	–	4.4	–	4.2

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 rates, either through a mismatch of interest-bearing assets and liabilities, or through the effect such movements have on the value of interest-bearing assets. The Group is exposed to interest rates on banking deposits held in the ordinary course of business. Available-for-sale financial assets 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 2010

	Floating rate £m	Fixed rate £m	Not directly exposed to interest rate risk Other £m	Total £m
Financial assets				
Shares/units in OEICs/unit trusts	–	–	1.2	1.2
Available-for-sale financial assets	–	–	46.6	46.6
OEIC, unit trust, trade and other debtors	–	–	62.4	62.4
Cash and cash equivalents	176.6	–	–	176.6
Total financial assets	176.6	–	110.2	286.8
Financial liabilities				
Debt instrument in issue	–	179.1	–	179.1
OEIC, unit trust and other creditors	–	–	71.6	71.6
Derivative financial instruments	–	–	0.1	0.1
Total financial liabilities	–	179.1	71.7	250.8

At 31 December 2009

	Floating rate £m	Fixed rate £m	Not directly exposed to interest rate risk Other £m	Total £m
Financial assets				
Shares/units in OEICs/unit trusts	–	–	0.9	0.9
Available-for-sale financial assets	–	–	41.7	41.7
OEIC, unit trust, trade and other debtors	–	–	86.7	86.7
Derivative financial instruments	–	–	0.2	0.2
Cash and cash equivalents	119.0	–	–	119.0
Total financial assets	119.0	–	129.5	248.5
Financial liabilities				
Debt instrument in issue	–	181.9	–	181.9
OEIC, unit trust and other creditors	–	–	72.5	72.5
Derivative financial instruments	–	–	1.0	1.0
Total financial liabilities	–	181.9	73.5	255.4

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 per annum fall in interest rates at the beginning of the year. The impact of such a decrease would reduce finance income by approximately £0.9m per annum in the consolidated income statement.

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 Group finance, to ensure that the Group always has sufficient cash or highly liquid assets available to meet its liabilities. Group finance 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 at least the next 12 months.

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

At 31 December 2010

	Within 1 year or repayable on demand £m	Within 2-5 years £m	Total £m	Carrying value in the statement of financial position £m
Debt instrument in issue (including interest)	11.4	180.6	192.0	179.1
OEIC, unit trust and other creditors	71.6	–	71.6	71.6
Derivative financial instruments	0.1	–	0.1	0.1
	83.1	180.6	263.7	250.8

At 31 December 2009

	Within 1 year or repayable on demand £m	Within 2-5 years £m	Total £m	Carrying value in the statement of financial position £m
Debt instrument in issue (including interest)	11.4	192.0	203.4	181.9
OEIC, unit trust and other creditors	72.5	–	72.5	72.5
Derivative financial instruments	1.0	–	1.0	1.0
	84.9	192.0	276.9	255.4

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 is exposed to foreign currency risk through its exposure to non-GBP income and expenses, assets and liabilities of its overseas subsidiaries as well as net assets and liabilities denominated in a currency other than GBP. The currency exposure is managed by closely monitoring foreign currency positions. The Group also uses foreign currency contracts to reduce or eliminate the currency exposure on certain individual transactions. The Group also seeks to use natural hedges to reduce 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 back 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 to the Board monthly.

A rolling programme of forward currency contracts has been implemented to hedge the currency exposures arising from certain available-for-sale financial assets, with a year end notional value of USD44.7m and €7.8m (2009: USD49.2m and €12.5m) (refer to note 28.6).

Foreign currency risk sensitivity analysis

Available-for-sale financial assets are either denominated in GBP or hedged back to GBP using foreign currency forward contracts based on the Group's hedging policy. However, there remain some available-for-sale financial assets which are not fully hedged as they fall below the policy level for implementing hedging arrangements. In addition, there are unhedged foreign currency cash balances in overseas subsidiaries of the Group.

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 GBP:

Foreign currency sensitivity analysis

	2010		2009	
	Consolidated income statement £m	Equity £m	Consolidated income statement £m	Equity £m
Euro exchange rate +/- 10%	0.5	–	0.7	–
US dollar exchange +/- 10%	0.4	–	0.3	0.1
Singaporean dollar exchange +/- 10%	0.1	–	0.1	–
Hong Kong dollar exchange +/- 10%	0.1	–	–	–

28. Financial risk management continued**28.5 Credit risk**

Credit risk is the risk of a counterparty of the Group defaulting on funds deposited with it or the non-receipt of 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 Risk 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 2010

	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
Financial assets						
Shares/units in OEICs/unit trusts	1.2	–	–	–	–	1.2
Available-for-sale financial assets	46.6	–	–	–	–	46.6
OEIC, unit trust, trade and other debtors	56.6	3.6	0.4	0.6	1.2	62.4
Cash and cash equivalents	176.6	–	–	–	–	176.6
Total financial assets	281.0	3.6	0.4	0.6	1.2	286.8

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
Financial assets						
Shares/units in OEICs/unit trusts	0.9	–	–	–	–	0.9
Available-for-sale financial assets	41.7	–	–	–	–	41.7
OEIC, unit trust, trade and other debtors	83.1	2.9	0.3	0.1	0.3	86.7
Derivative financial instruments	0.2	–	–	–	–	0.2
Cash and cash equivalents	119.0	–	–	–	–	119.0
Total financial assets	244.9	2.9	0.3	0.1	0.3	248.5

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

At 31 December 2010

	AAA £m	AA £m	A £m	Not rated £m	Total £m
Financial assets					
Shares/units in OEICs/unit trusts	–	–	–	1.2	1.2
Available-for-sale financial assets	–	–	–	46.6	46.6
OEIC, unit trust, trade and other debtors	–	–	–	62.4	62.4
Cash and cash equivalents	107.7	58.6	10.3	–	176.6
Total financial assets	107.7	58.6	10.3	110.2	286.8

At 31 December 2009

	AAA £m	AA £m	A £m	Not rated £m	Total £m
Financial assets					
Shares/units in OEICs/unit trusts	–	–	–	0.9	0.9
Available-for-sale financial assets	–	–	–	41.7	41.7
OEIC, unit trust, trade and other debtors	–	–	–	86.7	86.7
Derivative financial instruments	–	0.2	–	–	0.2
Cash and cash equivalents	70.8	19.6	28.6	–	119.0
Total financial assets	70.8	19.8	28.6	129.3	248.5

28.6 Hedging activities

At 31 December 2010, the Group held CFDs to hedge the price risk arising from certain available-for-sale financial assets. These have been assessed as effective fair value hedges. The net realised and unrealised loss arising on these and other instruments entered into throughout the year amounted to £0.4m (2009: £nil) and has been offset in the consolidated income statement by £0.5m (2009: £nil), being the net realised and unrealised gain on available-for-sale financial assets in designated hedging relationships during the year.

At 31 December 2010, the fair value and notional amount of the CFDs was £nil (2009: £nil).

At 31 December 2010, the Group held two forward exchange contracts to hedge the foreign currency risk arising from available-for-sale financial assets denominated in Euro and US dollars (refer to note 28.4).

These forward exchange contracts have been assessed as effective fair value hedges. The net realised and unrealised loss arising on these and other instruments entered into throughout the year amounted to £0.7m (2009: loss £0.4m) and has been offset in the consolidated income statement by £0.6m (2009: £0.4m), being the net realised and unrealised foreign exchange gain on available-for-sale financial assets in designated hedging relationships during the year.

	2010			2009		
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Fair value hedges						
Forward exchange contracts at fair value	35.1	–	0.1	39.9	(0.2)	1.0

29. Leases

Operating leases

The Group is party to three material property leases. A 20.5 year operating lease was entered into during 2008 on 201 Bishopsgate, London which provides for reviews to open market rent on every fifth anniversary of the lease and provided an initial rent-free period of 30 months. The rental expense on this lease is being recognised on a straight-line basis over the lease period.

On acquisition of New Star, the Group became party to two further material operating leases. These are in relation to 1 Knightsbridge Green, London and 8 Lancelot Place, London. The leases run for a period of six and 12 years respectively. A void properties provision has been recognised for both leases at the net present value of the net expected future cash outflows (refer to note 22).

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

	2010 £m	2009 £m
Within one year	12.0	10.7
In two to five years inclusive	48.2	50.4
After five years	98.8	110.8
Total	159.0	171.9

The total future minimum sublease payments expected to be received under non-cancellable subleases within one year at the reporting date were £2.7m (2009: £1.7m).

30. Capital commitments

Group

The amounts of capital expenditure contracted for but not provided for in the financial statements at 31 December 2010 amounted to £nil (2009: £nil).

31. Related party transactions

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 reporting date, are disclosed below:

	2010 £m	2009 £m
Transactions with related parties		
Investment in subsidiary companies	–	94.2
Disposal of investment to subsidiary company on group restructure	–	(141.2)
Capital contributions to indirect subsidiary companies	15.8	13.7
Funding from subsidiary companies	(13.0)	(11.1)
Amounts owed by/(to) related parties		
Amounts owed by subsidiary companies	0.1	11.7
Amounts owed to subsidiary companies	(3.3)	(1.9)

Group

Disclosures relating to the Henderson Group Pension Scheme are covered under note 21. Transactions between the Company and its controlled subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel (including Directors)

The aggregate annual remuneration of the Directors and the five highest paid non-Director executives is disclosed below:

	2010 £m	2009 £m
Short-term employee benefits	7.0	5.2
Post-employment benefits	0.1	0.2
Share-based payments	4.1	4.1
	11.2	9.5

32. Contingent liabilities

The following contingent liabilities existed or may exist at 31 December 2010:

- 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 (refer to note 7);
- 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;
- 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;
- Under the Implementation Agreement dated 6 July 2010 relating to the transfer of management responsibilities to Aviva Investors for the Henderson International Property Fund (Fund), the Group has provided indemnities for certain losses arising from any breach of the Group's responsibilities whilst performing its functions in respect of the Fund and employment warranties for a period of two years after the date of the agreement and tax-related warranties for a period of six years after the date of the agreement. These indemnities are subject to certain exclusions and limitations, including a financial cap; and
- Under the Facilitation Agreement dated 8 December 2010 relating to the proposed merger of the assets of the HLAf into the Deutsche Managed Sterling Fund, the Group has provided indemnities for certain losses arising from liabilities of HLAf existing prior to the effective date of the merger, certain warranted statements being untrue and any miscalculation of the net asset value of HLAf in the period prior to the effective date of the merger. These indemnities are subject to certain exclusions and limitations, including a financial cap.

As at the date of approval of the 2010 financial statements, the Group and Company neither foresee nor have they been notified of any claims under outstanding warranties and indemnities from the above mentioned agreements.

33. Acquisitions and disposals of subsidiaries

33.1 Acquisitions

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

On 9 April 2009, Henderson Group plc completed its acquisition of 100% of the issued share capital of New Star. The consideration for New Star was £94.2m and included cash consideration of £68.8m and equity consideration of £21.2m, being 25,774,190 new ordinary shares in the Company at their market price on the LSE on the date of issue. The fair value of the net assets of New Star at the date of acquisition was £36.2m and the goodwill accounted for was £61.4m.

The goodwill recognised is attributable to the expected synergies and other benefits from combining the activities of New Star and those of the Group.

33.2 Disposals

The Group did not dispose of or lose control of any subsidiaries during the current or previous year.

34. Events after the reporting date

The Board has not, as at 22 February 2011, being the date the financial statements were approved, received any information concerning significant conditions in existence at the reporting 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 reporting date.

On 12 January 2011, the Group announced (Announcement) that the boards of Henderson Group plc and Gartmore had reached agreement on the terms of a recommended acquisition by the Group of the entire issued share capital of Gartmore. The Gartmore Acquisition is subject to a number of conditions, including regulatory approvals and the Company and Gartmore shareholder approvals. The Gartmore Acquisition is expected to complete within three months of the date of the Announcement subject to the conditions being satisfied.

Under the terms of the Gartmore Acquisition, Gartmore shareholders will receive 0.6667 of a Company share (New Henderson Shares) for each Gartmore share. In addition, the New Henderson Shares will rank for the final 2010 dividend of 4.65 pence per share at a total cost of £11.3m.

The Group has entered into multicurrency term and GBP revolving loan facilities which may be utilised by the Group to meet post-Gartmore Acquisition debt obligations and for general corporate and working capital purposes. As a result, the Group has cancelled its existing £25m revolving credit facility agreement previously due to terminate on 31 March 2012 (refer to note 20).

As at 22 February 2011

Total number of holders of ordinary shares and CDIs and their voting rights

The issued share capital of Henderson Group plc consisted of 835,835,898 ordinary shares held by 115,309 security holders. This included 556,594,488 shares, held by CHESS Depositary Nominees Pty Limited (CDN), quoted on the ASX in the form of CHESS Depositary Interests (CDIs) and held by 104,678 CDI holders. Each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken on a poll. CDI holders can instruct CDN to appoint a proxy on their behalf and can direct the proxy how to vote on the basis of one vote per person taken by a show of hands, and one vote per CDI on a vote taken on a poll.

Twenty largest share/CDI holders

	Ordinary shares/CDIs	% of issued capital
1 National Nominees Limited	135,287,318	16.19
2 J.P. Morgan Nominees Australia Limited	127,052,515	15.20
3 RBC Dexia Investor Services Australia Nominees Pty Limited	61,721,497	7.38
4 Greenwood Nominees Limited	58,166,086	6.96
5 Vidacos Nominees Limited	49,799,141	5.96
6 Cogent Nominees Pty Limited	47,436,951	5.68
7 HSBC Custody Nominees (Australia) Limited	36,405,841	4.36
8 Chase Nominees Limited	34,988,073	4.19
9 Citicorp Nominees Pty Limited	29,077,364	3.48
10 HSBC Global Custody Nominee (UK) Limited	28,760,611	3.44
11 State Street Nominees Limited	22,205,860	2.66
12 Hargreaves Lansdown (Nominees) Limited	15,657,286	1.87
13 Tasman Asset Management Limited	15,628,021	1.87
14 UBS Nominees Pty Limited	10,801,830	1.29
15 Nortrust Nominees Limited	10,527,819	1.26
16 Bond Street Custodians Limited	7,960,118	0.95
17 The Bank of New York (Nominees) Limited	6,436,346	0.77
18 Australian Reward Investment Alliance	6,177,637	0.74
19 AMP Life Limited	3,521,263	0.42
20 Hanover Nominees Limited	3,289,008	0.39
Top 20 total	710,900,585	85.05
Total shares	835,835,898	100.00

Distribution of share/CDI holdings

Categories	Number of holders	% of issued capital
1 – 1,000	106,824	4.47
1,001 – 5,000	6,841	1.62
5,001 – 10,000	804	0.69
10,001 – 100,000	618	1.90
100,001 and over	222	91.32
Total	115,309	100.00

17,027 share/CDI holders held less than A\$500 worth of shares/CDIs, i.e. fewer than 194 shares/CDIs.

Stock exchange listings

Henderson Group plc is listed on the LSE and its CDIs are quoted on the ASX.

Substantial shareholders

The Company has received substantial shareholding notices, equivalent to Australian regulatory requirements, from the following:

- BlackRock, Inc. held 41,389,306 shares/CDIs, or 5.01% of the total voting rights, as detailed in its notification sent on 25 March 2010;
- JCP Investment Partners Limited 53,769,510 shares/CDIs, or 6.46% of the total voting rights, as detailed in its notification sent on 23 December 2010;
- Landsdowne Partners Limited Partnership held 45,098,010 shares/CDIs, or 6.22% of the total voting rights, as detailed in its notification sent on 8 January 2009; and
- Perpetual Limited held 112,685,477 shares/CDIs, or 13.51% of the total voting rights, as detailed in its notification sent on 20 January 2011.

Total number of options over unissued shares

There were 18,231,096 options over unissued ordinary shares in the Company held by 830 option-holders.

Restricted securities

There are no restricted securities in issue.

Buy-back

There is no current on-market buy-back of CDIs on the ASX. The Company has authority to purchase ordinary shares on the LSE, although no buybacks were made under this authority in 2010.

Company Secretary

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Email

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Ordinary shareholders: info@computershare.co.je

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www.henderson.com

ABI

Association of British Insurers

AGM

Annual General Meeting

ASX

Australian Securities Exchange

AUM

Assets under management

BAYE

Buy As You Earn Share Plan

Board

The board of directors of
Henderson Group plc

bps

Basis points

Business Review

The business review is incorporated into and forms part of the Directors' Report, Chairman's Statement, Chief Executive's Review and Financial Review and Key Performance Indicators (including Risk Management)

CDIs

CHESS Depositary Interests

CFDs

Contracts for difference

Company

Henderson Group plc

Compensation ratio

Employee compensation and benefits divided by total income

CRO

Chief Risk Officer

CSOP

Company Share Option Plan

DEP

Deferred Equity Plan

Directors

The directors of Henderson Group plc

EBT

Employee benefit trust

ESOP

Employee Share Ownership Plan

EUR

Euros

ExSOP

Executive Shared Ownership Plan

FRC

Financial Reporting Council

FSA

The UK Financial Services Authority

FSCS

The Financial Services Compensation Scheme

FX

Foreign exchange

GAAP

Generally Accepted Accounting Principles

Gartmore

Gartmore Group Limited and its controlled entities

Gartmore Acquisition

The recommended acquisition of the entire share capital of Gartmore Group Limited

GBP

Pounds sterling

hedge funds

Hedge funds including absolute return funds

Henderson Global Investors

Controlled entities of Henderson Group plc carrying out core investment management activities

Henderson Group or Group

Henderson Group plc and its controlled entities

HMRC

HM Revenue & Customs

IAS

International Accounting Standard

IFRIC

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards as adopted by the European Union

IRR

Internal rate of return

LIBOR

London Inter-bank Offered Rate

LSE

London Stock Exchange

LTIP

Long-Term Incentive Plan

New Star

New Star Asset Management Group PLC and its controlled entities

NSIM

New Star Institutional Managers Limited

OEIC

Open-Ended Investment Company

Operating margin

Total fee income less operating costs divided by total fee income

Pearl

Pearl Group Limited and its subsidiaries renamed as Phoenix Group Holdings

Pension Scheme

The Henderson Group Pension Scheme

RidgeWorth

RidgeWorth Capital Management, Inc.

RSP

Restricted Share Plan

SAYE

Sharesave scheme

SGD

Singaporean dollars

SICAV

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

SMT

Senior Management Team

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 were sold to JS&P Holdings Limited

TSR

Total shareholder return

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

USD

United States dollars



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