

Henderson Group Annual Report 2011

Expect something special



Strong growth in profitability

Improved fee and operating margins

Good investment performance

Prudent capital position

Gartmore acquisition exceeds expectations

Good progress towards achieving strategic objectives



Go online for more information:
www.henderson.com

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Better investment decisions for better investment outcomes

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Governance

Financials

Shareholder
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Underlying profit

+58%

2011	£159.2m
2010	£100.7m

Operating margin

+21%

2011	36.3%
2010	30.0%

Diluted underlying earnings per share

+31%

2011	12.4p
2010	9.5p

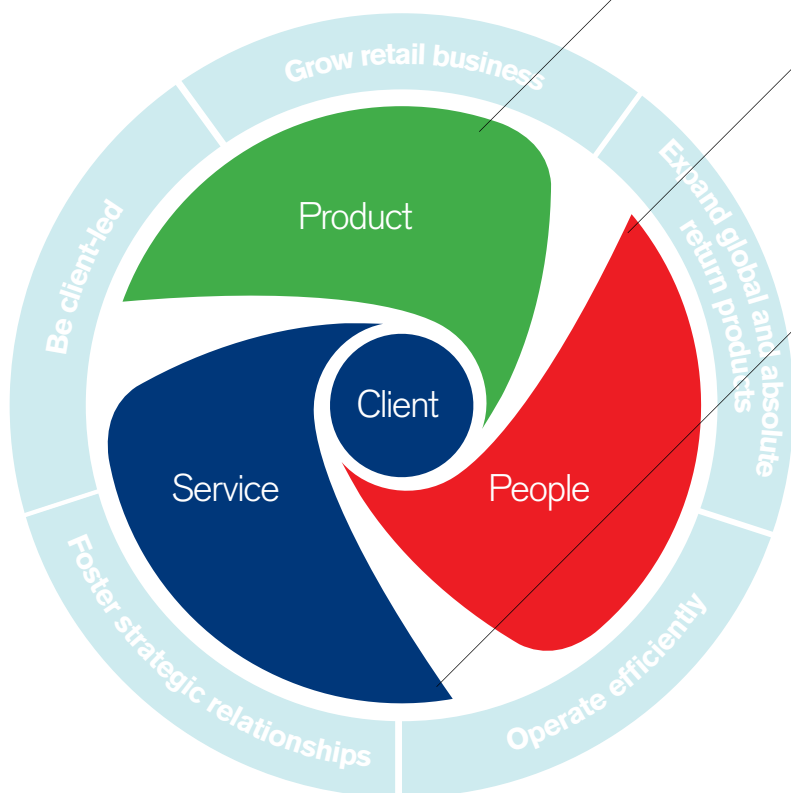
Dividends per share

+8%

2011	7.0p
2010	6.5p

Business Model

We are a dedicated, independent, diversified asset manager with the client at the centre of everything we do



Product

Offer a diverse range of innovative, traditional and alternative products, with transparent investment processes, to meet **client** needs, helping them achieve their investment objectives

People

Attract and retain employees who demonstrate a **client**-led attitude and actively encourage employee share ownership, thus fully aligning interests to those of our clients and shareholders

Service

Established culture focused on **client** needs and creating an identifiable brand in our core markets

Strategic Overview

Our long-term strategy is to be a leading global asset management company focused on sustainable growth that benefits all stakeholders

Performance is managed against these KPIs

KPI 

Investment performance

Fee margins

Net fund flows

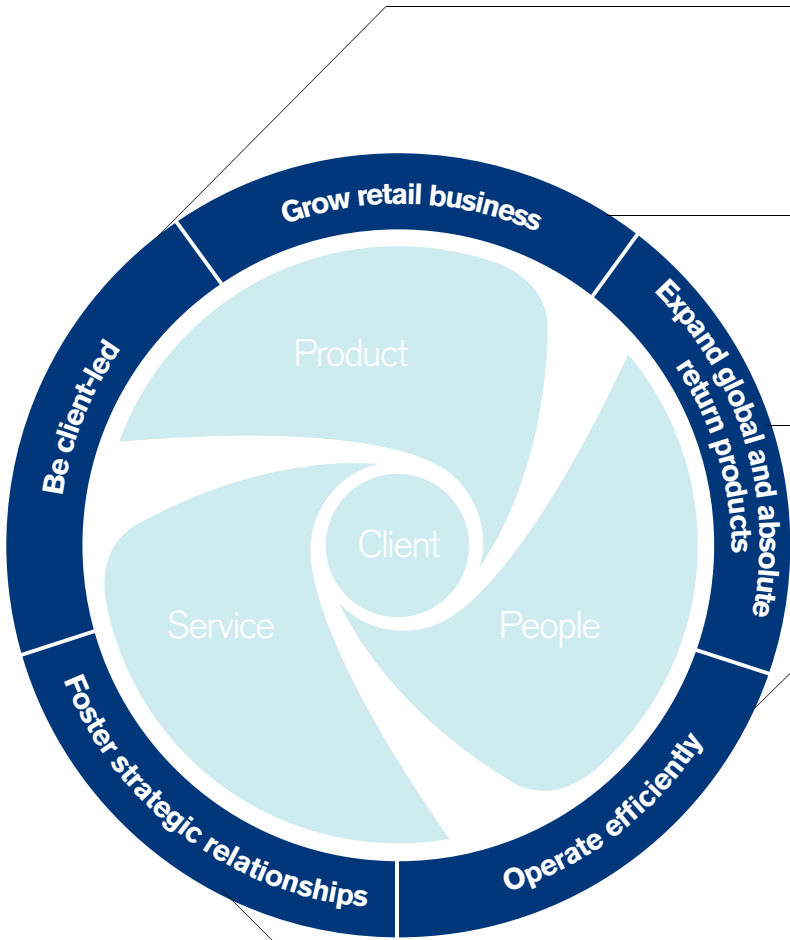
Operating margin and compensation ratio

Earnings per share

Treating customers fairly

Strategic objectives

Henderson is focusing on five key objectives to deliver long-term shareholder value



Embed a client-led attitude in the firm, establishing an identifiable brand and culture based on success



For further details  22

Improve retail market share in the UK, Continental Europe and the US, while developing our franchise in key growth areas of Asia Pacific and Latin America



For further details  11

Develop and expand existing global and absolute return product ranges



For further details  10

Focus on core businesses, including managing risks and operating them efficiently, while divesting non-core businesses



For further details  16

Foster long-term strategic relationships to help develop future business growth



For further details  12

Global Presence

Listed on the ASX and LSE,
Henderson is one of Europe's
largest asset managers

Assets under management
2010: £61.6bn

£64.3bn
+4%

For further
details  17

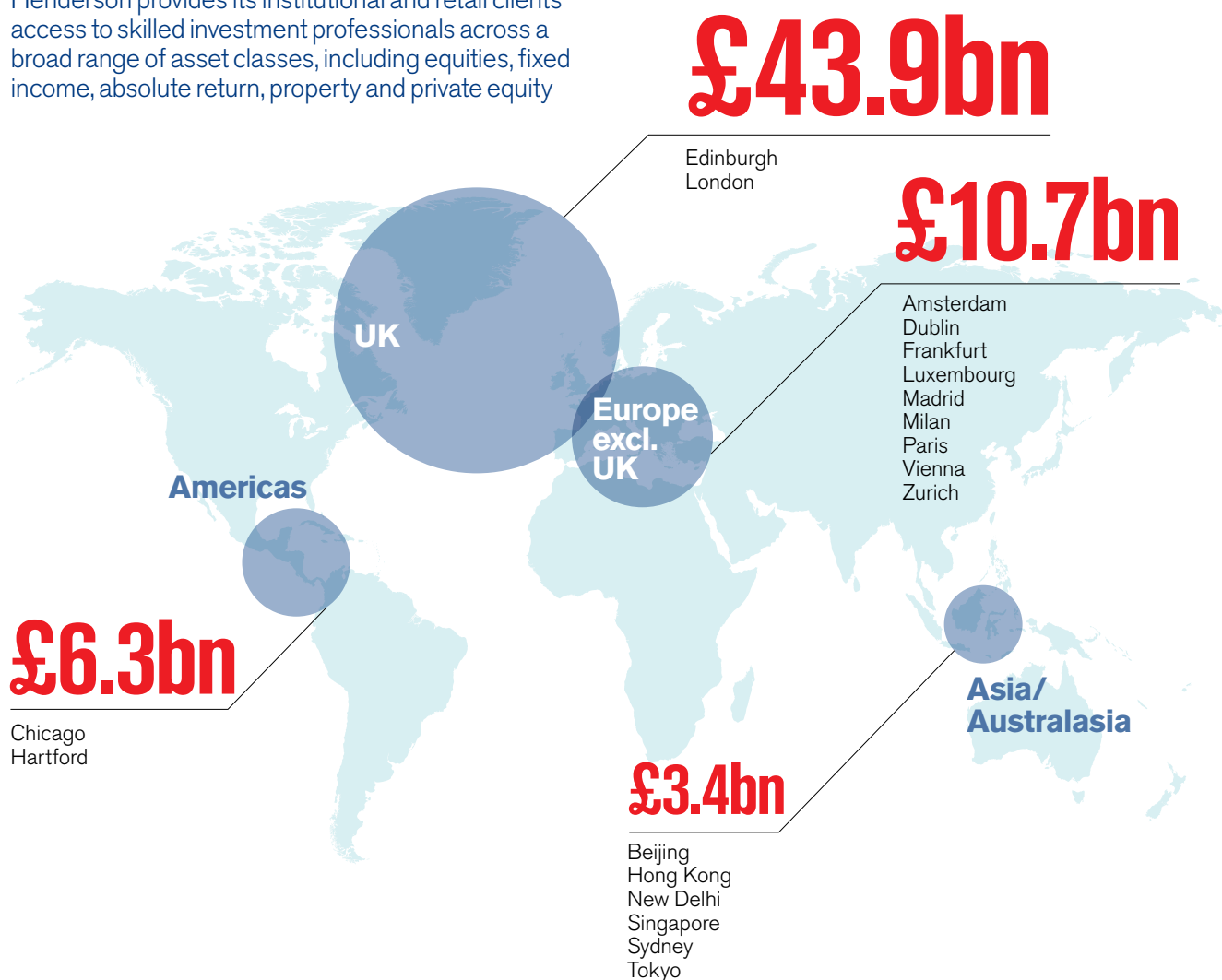
People
2010: 941

1,043 

For further
details  22

AUM geographical source of clients

Henderson provides its institutional and retail clients access to skilled investment professionals across a broad range of asset classes, including equities, fixed income, absolute return, property and private equity



Business at a Glance

Investment Management

Product range

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

Where we distribute

All product ranges include funds distributed globally (except investment trusts) to both institutional and retail clients.

Key developments

- Gartmore acquisition extended UK retail, Global, Emerging Markets and hedge distribution capacity and reach.
- Sold non-core businesses.
- Launched UK retail advertising campaign.
- Celebrated 10 year anniversary of our International Opportunities Fund.

People
investment professionals
and distribution staff

299 

Total income
2010: £288.0m

£404.2m
+40%

AUM
2010: £47.9bn

For further
details 

£44.4bn

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.

Key developments

- Successfully marketed four new funds and participated in over 90 asset deals.
- Acquired 'Leadenhall Triangle' from its administrators, the most talked about property deal of the year.
- Celebrated 10 years of successful partnership with M.M. Warburg & Co.

People
investment professionals
and distribution staff

94 

Total income
2010: £56.9m

£60.3m
+6%

AUM
2010: £11.8bn

For further
details 

£12.4bn

Private Equity

Product range

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

Where we distribute

Products are distributed globally by Private Equity, Investment Management and external placement agents.

Key developments

- Solid long-term performance of Asia funds continued.
- Total income decline due to a reduction in carried interest earned on Private Equity funds in the year.

People
investment professionals
and distribution staff

13 

Total income
2010: £10.3m

£5.4m
-48%

AUM
2010: £0.8bn

For further
details 

£1.0bn

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. Total income and AUM above exclude NSIM and corporate income but include Phoenix. 2010 AUM and income restatement reflect the transfer of UK Property Unit Trust from Investment Management to Property.

Five Year Financial Summary

Consolidated Financial Results

For the year ended 31 December 2011

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Income					
Management fees (net of commissions)	360.5	282.5	226.8	221.9	258.0
Transaction fees	51.1	36.8	24.9	16.5	17.8
Performance fees	65.2	42.8	31.6	32.0	86.9
Total fee income	476.8	362.1	283.3	270.4	362.7
Finance income	3.3	0.8	4.3	15.3	25.7
Total income	480.1	362.9	287.6	285.7	388.4
Expenses					
Fixed employee compensation and benefits	(96.6)	(83.7)	(77.4)	(74.9)	(77.5)
Variable employee compensation and benefits	(103.3)	(77.4)	(48.9)	(51.6)	(116.1)
Employee compensation and benefits	(199.9)	(161.1)	(126.3)	(126.5)	(193.6)
Investment administration	(28.1)	(23.3)	(22.6)	(16.4)	(16.0)
Information technology	(14.0)	(12.7)	(11.5)	(9.6)	(9.8)
Office expenses	(16.4)	(16.2)	(16.2)	(13.2)	(14.1)
Depreciation	(3.0)	(3.2)	(3.2)	(2.3)	(2.5)
Other expenses	(42.3)	(37.0)	(25.2)	(25.0)	(37.7)
Total operating expenses	(303.7)	(253.5)	(205.0)	(193.0)	(273.7)
Finance expenses	(17.2)	(8.7)	(8.9)	(12.3)	(8.0)
Total expenses	(320.9)	(262.2)	(213.9)	(205.3)	(281.7)
Underlying profit	159.2	100.7	73.7	80.4	106.7
Non-operating recurring items	(77.0)	(13.7)	(10.7)	(0.1)	–
Recurring profit before tax	82.2	87.0	63.0	80.3	106.7
Non-recurring items	(69.2)	(10.5)	(47.5)	(97.3)	40.5
Profit/(loss) before tax	13.0	76.5	15.5	(17.0)	147.2
Tax on underlying profit	(33.6)	(20.6)	(16.3)	(8.6)	(12.4)
Tax on non-operating recurring items	19.4	4.5	3.0	–	–
Tax on non-recurring items	16.2	0.6	12.3	4.8	(2.6)
Non-recurring tax credit	18.9	16.4	–	–	–
Total tax	20.9	0.9	(1.0)	(3.8)	(15.0)
Profit/(loss) after tax	33.9	77.4	14.5	(20.8)	132.2
Attributable to:					
Equity holders of the parent	34.0	77.9	13.8	(20.9)	132.1
Non-controlling interests	(0.1)	(0.5)	0.7	0.1	0.1
Operating margin ¹ (%)	36.3	30.0	27.6	28.6	24.5
Compensation ratio ² (%)	41.6	44.4	43.9	44.3	49.8
Average number of employees	1,043	941	933	920	921
AUM as at 31 December (£bn)	64.3	61.6	58.1	49.5	59.2
Average AUM for the period (£bn)	67.6	58.7	53.0	53.7	61.1
Total fee margin (bps)	70.6	61.7	53.5	50.4	59.4
Management fee margin (bps)	53.3	48.2	42.8	41.3	42.2
Net margin ³ (bps)	23.6	17.2	13.9	15.0	17.5
Basic and diluted earnings per share (EPS)					
Weighted average number of ordinary shares for basic EPS (m)	954.1	788.4	759.3	660.6	804.6
Weighted average number of ordinary shares for diluted EPS (m)	1,012.7	849.2	809.4	715.0	847.5
Basic on underlying profit ⁴ (p)	13.2	10.2	7.5	10.8	11.7
Basic (p)	3.6	9.9	1.8	(3.2)	16.4
Diluted on underlying profit ⁴ (p)	12.4	9.5	7.0	10.0	11.1
Diluted (p)	3.4	9.2	1.7	(3.2)	15.6
Dividends per share (p)	7.0	6.5	6.1	6.1	6.1
Investment performance⁵					
Funds at or exceeding benchmark over one year (%)	59	70	70	41	48
Funds at or exceeding benchmark over three years (%)	66	62	64	49	54

Notes

1. Total fee income less operating expenses divided by total fee income.
2. Employee compensation and benefits divided by total income.
3. Net margin calculated on underlying profit before 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.

Chairman's Statement

The business is stronger. Now we want growth – sustainable, organic growth



Rupert Pennant-Rea
Chairman

Overview

2011 was an important year in the history of Henderson. The business rose to some significant challenges, ranging from a transformational acquisition to further economic turmoil.

An optimistic start to 2011, with improving economic data and confidence levels, was soon overshadowed by the devastating Japanese earthquake in March. Then came softer economic data from the US, and the sovereign debt crisis in the eurozone. Understandably, investors turned cautious, and most equity markets ended the year down.

Despite this, Henderson delivered a good result. The Group's underlying profit was up 58%, primarily as a result of the Gartmore acquisition and helped by continuing cost control. We start 2012 in a good position to achieve long-term value for our shareholders.

Corporate activity

Our acquisition of Gartmore, a UK-based fund manager, showed Henderson at its best: the strategic rationale was overwhelming, the business was a great fit and we bought it at a price that was highly attractive for our shareholders. The subsequent integration has gone well: we have beaten our targets in terms of both assets and clients retained, and completed the integration ahead of schedule.

As a result of this acquisition we have strengthened two areas of strategic importance to us, in retail and absolute return. We also added to our core investment capabilities, especially in Global and Emerging Market Equities, and we have expanded our distribution reach, above all in Japan. The lessons we learned from buying New Star in 2009 have played a big part in ensuring that we extract value for our shareholders from Gartmore, which has helped improve our diluted underlying earnings per share by more than 30%.

In line with our strategic objectives, we also sold a number of non-core businesses last year. These include the transfer of our liquidity fund, the sale of New Star Institutional Managers Limited (NSIM) and, just recently, the disposal of our interest in Hermes GPE LLP, a private equity fund of funds joint venture.

Dividends

The Board is recommending a final dividend for 2011 of 5.05 pence per share, bringing the total dividend to 7.0 pence per share, 8% higher than the 2010 total. The final dividend will be paid on 25 May 2012 to shareholders who are on the share register on 4 May 2012. We will continue to apply our formula so that the next interim dividend will be 30% of the total dividend for the previous year – subject, of course, to the sensible caveat that we must have the resources to make the payment.

The Board

Three Directors joined the Board in 2011. Kevin Dolan brings his extensive international experience gathered over the past 32 years from his executive and non-executive roles in financial services. Two of our executives also joined the Board: James Darkins, Managing Director of Property, and David Jacob, Managing Director of Henderson Investment Management and Chief Investment Officer. They have been with the Group for 14 and seven years respectively. Gerry Aherne, who has been a Director for over seven years and Chairman of the Remuneration Committee since 2005, will stand down as a Director at the 2012 AGM. I would like to thank him for the advice and experience he brought to Henderson Group and wish him every success for the future.

Outlook

It is hard to see a speedy conclusion to the eurozone debt crisis. It is easy to see that the financial services industry will continue to experience political and regulatory uncertainty. As a result, we expect markets to remain volatile. However, we are well placed to manage the business through choppy waters, by concentrating on those areas we can control. We will continue to watch our costs carefully, but we will retain the flexibility to invest to protect and expand the business. We will focus on investment performance and building our distribution network. Finally, we will continue to offer a portfolio of attractive products that meet or exceed the expectations of our clients.

These are challenging times, but the Board, the management team and staff are determined to ensure Henderson thrives for the long-term benefit of our shareholders.

Thank you

The Board would like to thank our staff for all they have done in a difficult year, through their enthusiasm, dedication and hard work. We also thank our shareholders for your continued support.

Rupert Pennant-Rea
Chairman

Chief Executive's Review

After a positive start, political and economic events resulted in increased market volatility and lower market levels

Andrew Formica
Chief Executive



comments. Gartmore wasn't the only corporate activity we focused on. With clear sight on our central business priorities, we exited a number of non-core businesses which has improved efficiency in the business.

In 2012, we will continue to focus on progressing towards our strategic objectives. The Gartmore and New Star acquisitions have provided a solid base from which to grow our UK retail business. Our SICAV fund range is strongly positioned for when investor demand returns and in our US retail fund range, we plan to develop more investment propositions.

We are well placed to further grow our absolute return fund range and we are bringing in new talent to develop our global product.

By staying close to our clients and partners, whilst focusing on efficiency in the business, we are confident that we can continue to grow profitably.

Strong profit growth and continued margin improvements

Good progress towards achieving strategic objectives

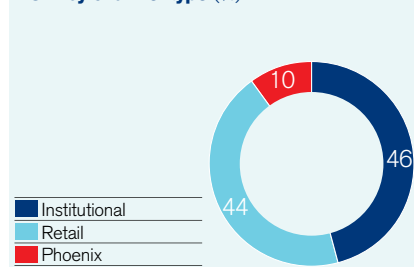
Gartmore acquisition exceeds expectations and strengthens our business

Review of 2011

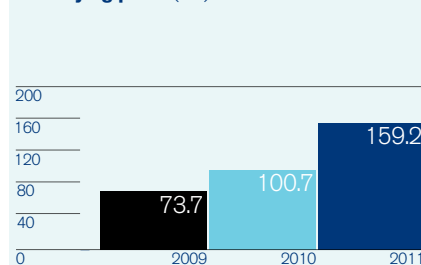
In any normal period, 2011 would have felt like an extraordinary year. However, in these times, it is more like the norm. After an optimistic start, sentiment turned negative in August weighed down by the debate over Chinese economic prospects, the continuing eurozone sovereign debt crisis and slowing global growth. Emerging markets such as Brazil, India and China, which had performed well in 2010, retreated in 2011 as concerns of higher inflation and weaker global demand increased and as investors' risk appetites waned.

Notwithstanding these events, the Group delivered a strong financial result in 2011 with underlying profit up 58%. We also made good progress in our key strategic objectives, including growing our retail and absolute return businesses, and I would like to thank all staff for their continued dedication. The Chairman has highlighted the success of the Gartmore acquisition and I echo his

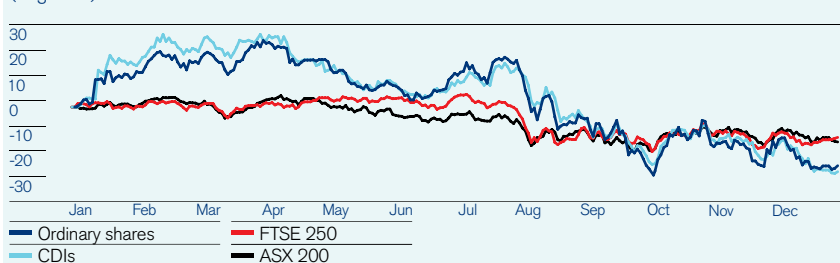
AUM by channel type (%)



Underlying profit (£m)



2011 – Henderson Group share price performance (% growth)



Changes in the political landscape

One of the most noticeable developments in 2011 was the increasing influence of political events on capital market behaviour. This different dimension generated further volatility and uncertainty. The political impasse in many developed nations and resultant lack of clarity was most notable in the eurozone and questions remain over the sustainability of the euro. These political ramifications have a disproportionate influence over the investment universe, making the challenge for investment managers even greater. Similarly, the political upheavals seen in the Middle East coupled with a number of elections and leadership changes due to take place will add to uncertainty and volatility, at least in the near term.

That said, company valuations on many measures sit at undemanding levels and earnings growth is gathering pace. We expect to see company valuations to be less correlated to the risks associated with country specific economies and therefore could perform better despite these economic headwinds.

Outlook for equities

The balance of economic data seen more recently already seems to show that the eurozone is in recession and is likely to stay there through the first quarter of 2012. However, we see this as an opportunity. Whilst European equities may have further short-term downside, they are already trading at compelling values. Investors need courage in these markets but this is precisely the time to seize long-term opportunities.

The US is more finely balanced and has a good chance of avoiding recession, although it remains vulnerable to global events such as those unfolding across Europe. In the US, equities are the asset class that has most discounted a weak outlook and therefore offer the most upside potential, especially as investors have largely been sellers of US equities for the last 10 years.

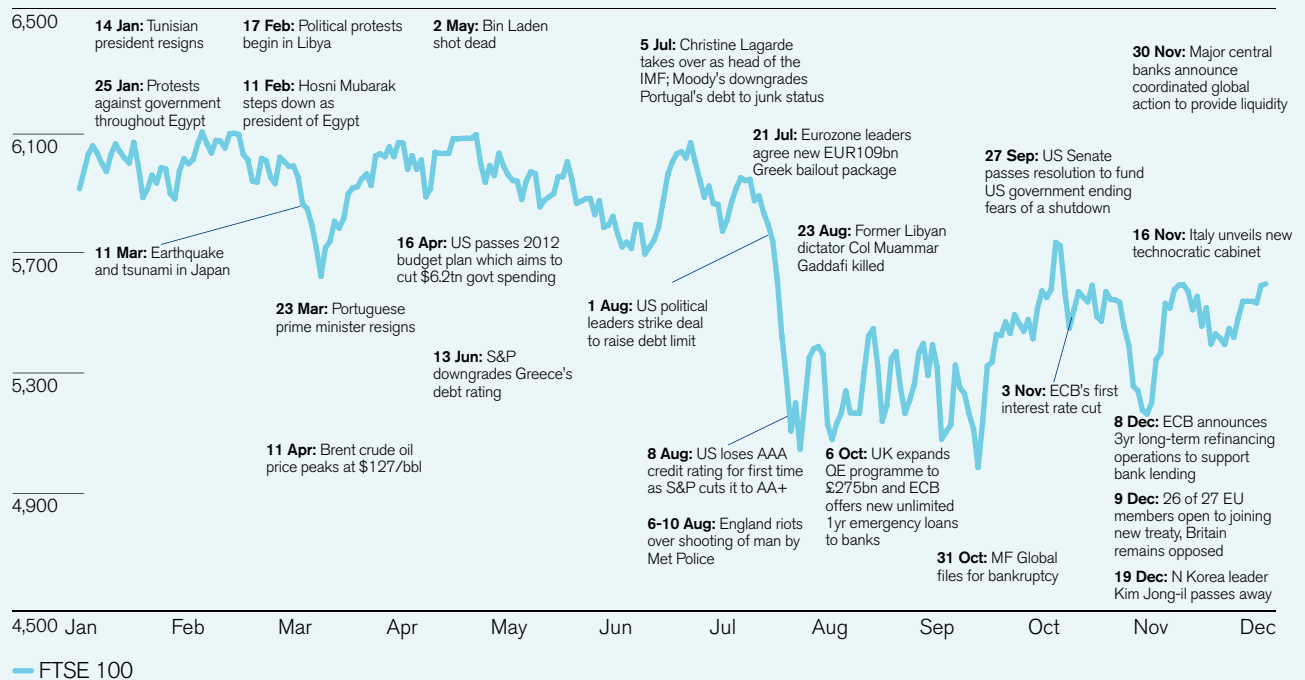
Over the last decade, the Western world spent more than it saved, but Asia did the opposite. In the coming year, we hope to see the beginnings of a reversal of this cycle as consumption levels rise in Asia with governments more focused on domestic demand rather than exports which, given the deterioration in global growth, are likely to decline.

Outlook for fixed income

Inflation and interest rates are unlikely to be a major threat for fixed income markets in developed countries in 2012. The key concern will be the impact of across-the-board deleveraging. Governments are embarking on austerity measures when households and the banking sector are also deleveraging. This could hamper economic growth and worsen debt-to-GDP ratios. Although European politicians finally seem to understand the gravity of the situation, they need to promote growth if they are to avoid further setbacks and potentially defaults amongst a number of smaller eurozone countries. The disruption in the sovereign debt markets fed into corporate bond spreads causing them to widen by year end, arguably pricing the default rates higher than balance sheet health warrants.

For the coming year, continued volatility will present opportunities to satisfy various risk appetites.

2011 – the year that was



Source: UBS UK Equity Strategy Review.

Chief Executive's Review continued

Outlook for property

The UK commercial property market showed considerable resilience in 2011. We consider 2012 will be more about income and quality than capital return.

Although the market has lowered its return expectations for 2012, demand for the asset class remains healthy, given the compelling yield profile of commercial property. In Europe, investor focus is on liquid markets in the strongest economies, most notably in Germany. Investors are preferring retail property, due to the defensive quality of that sector, and investors are targeting Germany in search of safe cash flow. However, it is likely that Europe's best performing region will continue to be the Nordics and investors in Sweden stand to benefit from comparatively strong growth expectations and perceived safety in northern Europe.

More opportunistic investors should target Spain and Italy, countries most likely to survive a potential restructuring of the eurozone. In Asia, we expect investment activities are likely to be driven by both Western and Asian institutional capital seeking safe havens and in the US, the multi-family sector continues to offer the best return outlook.

Regulatory outlook

Around the world, regulatory bodies are working through an unprecedented number of initiatives to shore up the infrastructure, transparency, competence and reputation of the financial services industry. In the UK, the primary focus remains on protecting consumers' best interests by introducing regulation such as the retail distribution review, new safeguards for client assets and increased governance requirements around the life cycle for retail products.

European regulators are concentrating on directives aiming to increase market transparency, reduce systemic market risk and boost consumer protection. The new requirements for alternative products are still under development.

US regulations such as Dodd-Frank and the Foreign Account Tax Compliance Act will also bring a number of new obligations for which significant preparation will be necessary.

We believe our business is in good shape to meet these challenges through 2012 and beyond.

The outlook for the Group

Despite this ongoing market volatility, I remain confident about the outlook for Henderson. The New Star and Gartmore acquisitions have strengthened our presence in a number of core areas, notably in the UK retail market and absolute return. By investing in other areas of our business to enhance or add capabilities, together with our ongoing efficiency programme and variable cost base, we are in a good position to deliver value for our shareholders.

Our collaborative way of working ensures that we are always focused on producing the best product and best service for our clients.



Andrew Formica
Chief Executive

Case study

Expand absolute return product range: Henderson and Gartmore combined strength

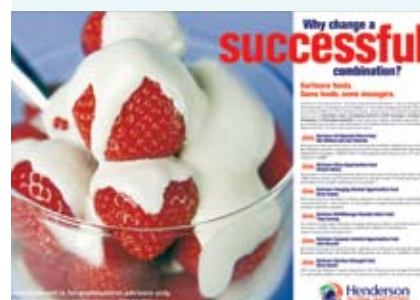
With the acquisition of Gartmore, we have significantly strengthened our absolute return capability. By combining the two fund ranges and launching new absolute products, we have seen increased client interest and sales. We have been successfully managing hedge funds for over 10 years and we are widely recognised as one of the leading absolute return fund firms in Europe. Today, we manage approximately £4.6bn of assets across the fund range.

We offer clients an award winning range of equity long/short, macro and credit strategies within a rigorous institutional framework.

We continue to work closely with our clients on existing products and developing new products with the aim of delivering strong, risk adjusted returns.

Given our experience, diverse fund range and investment expertise, we are well placed to participate in the growth of the absolute return sector. Both retail and institutional investors are expected to increase their allocations significantly in the absolute return space.

Our distribution team will specifically be looking at ways to grow our market share in Continental Europe, the US, Asia and Japan.



Business Review

Investment Management

David Jacob
Managing Director and
Chief Investment Officer



Focus on core products our clients want

Net sales growth is a key priority

Investment performance continues to be good

The acquisition of Gartmore cements our position as a UK retail fund manager where we are now ranked sixth by AUM. Financially, the acquisition has already delivered and we are starting to see the strategic benefits flow through. We have enhanced our product range, in particular, our absolute return product offering, and we are beginning to fill gaps in two priority areas – Global Equities and Emerging Markets Equities. We also extended our distribution network into areas such as Japan and further enhanced our global hedge distribution capability. The integration of funds and people was seamless and, from a client perspective, it was business as usual in record time.

Following the successful integration of Gartmore we reviewed our business structure to ensure that we allocate resources to those capabilities we anticipate clients will demand. While Gartmore added or enhanced capabilities that we wish to grow, we sold non-core businesses such as Henderson Liquid Assets Fund (HLAF) and NSIM, and closed other funds or adjusted the way in which some are managed. For example, we closed our global currency fund and we have partnered with EIRIS, a leading provider of independent research into the environmental, social, governance and ethical performance of companies, to provide detailed research and analysis to support our SRI capability. We are focused on delivering core product to our clients which will entail some new product launches and at the same time, we will continue to

rationalise our product range in order to provide additional clarity to clients regarding our offerings (refer to page 16 case study for more details).

Investment performance in most of our funds across asset class and product type continued to be good with performance in our fixed income products in particular remaining strong over one and three years. Our equity funds' three year performance remains good, although one year performance suffered somewhat as some of our larger funds underperformed (for more details on investment performance refer to page 15).

Our core distribution markets are in the UK and Continental Europe and we are increasing our presence in the US and Asia. In the UK, we have seen an improvement in our brand awareness following our successful completion of two acquisitions in the past three years. In addition, we launched a bold advertising campaign (see the panel on the right-hand side for more details) which has shown some impressive results over a short time frame. We held our third successful investment conference for UK financial advisers and recently launched HGi, which is both an online and print platform designed to bring together the views and commentary of our experts and deliver them to our clients, helping them to follow the fund managers, topics and funds that are most relevant.

We had positive net flows in a broad range of funds including UK retail absolute return, Strategic and Corporate Bond funds, Long Dated Credit, Multi-Manager and Cautiously Managed funds. We continue to see good demand for our fixed income funds with three of our funds topping £1bn in assets. Anticipated market volatility in 2012 is likely to make investor demand difficult to predict, but we think that both fixed income and absolute return funds will remain in demand.

Investment trusts remain a sizeable and important part of our business and we are especially pleased with being named Best

Investment Trust Provider 2011 by Investment Life & Pensions Moneyfacts.

With the continued eurozone turbulence and falling investor confidence, it is not surprising that flows in our pan-European equity funds were volatile and overall disappointing in 2011. However, given our good investment performance, the strength and the quality of our team, we have a strong proposition and we are confident that we are well placed for when investor demand returns.

We have established a new relationship with Manulife Asset Management in Taiwan to help us continue to build our existing presence in this market. We will be celebrating the 10 year

Case study

Grow retail business: José Mourinho advertising campaign

By teaming up with José Mourinho, the most successful and charismatic football manager of his generation in a bold advertising campaign, we embarked on an exciting journey to position Henderson as a 'go to' fund manager.

The campaign launched in the UK, countries across Continental Europe and Asia in October 2011. It was, however, less about football and more about the attributes and attitude that a manager needs to satisfy its clients. It plays on the analogy between football management and fund management, recognising that qualities such as passion for the subject, research and planning skills, risk assessment, quality of decision making and motivating talented people to work together in teams are common to both disciplines.

José, whilst sometimes controversial, embodies these qualities in a highly passionate way with charm and a sense of humour. Just as José readily describes himself as the 'special one' for football management, we want Henderson to be seen as special in asset management and amongst our clients, wherever they may be.



Business Review continued

anniversary of our Hong Kong business in 2012 and will support this with a marketing and advertising campaign as well as a number of client events.

Demand for our US retail funds was adversely impacted as US investors shunned European and international equities. However, we continue to build our US retail business and in 2011 we celebrated the 10 year anniversary of our flagship fund, International Opportunities. Our second largest US mutual fund, Global Equity Income, is top quartile over five years providing further strength to our US product offering. We continue to grow our US

institutional business and we plan to develop further products for that market.

Our absolute return business performed well in the year with positive net flows into liquidity, agriculture and a number of our AlphaGen funds (previously Gartmore funds). We are particularly encouraged by the flows in the AlphaGen funds which resumed shortly after we completed the Gartmore acquisition. The asset weighted performance of our absolute return funds compares favourably to industry experience and our proven long-term track record of delivering strong, risk-adjusted investment performance across a range of established

absolute return strategies continues to drive investor interest. We expect to strengthen the absolute return product offering as evidenced by the launch of two liquidity strategies and the recent take-on of a team focused on agriculture.

Our UK fixed income business remains strong in the institutional marketplace. We value the importance of our relationships with institutional clients and consultants in all geographies and have worked hard to strengthen these ties. As a result, we hope to continue sourcing new business from existing regions and also expand distribution of our capabilities into the Nordics, South America, Japan and China.

Property

James Darkins
Managing Director



Launched four new funds and participated in over 90 asset deals

Took opportunities to unlock value for clients

Despite ongoing challenges in the economic environment in 2011, we continued to see consistent levels of activity in our Property business. Throughout the year, we successfully marketed four new funds, were involved in over 90 asset deals and saw a supply of new equity from existing and new clients.

Property AUM grew by £598m from £11.8bn to £12.4bn due to favourable market and foreign exchange rate movements of £310m and net flows of £270m. We completed first closings for the Henderson CASA V Fund, another in the series of our North American multi-family funds, Warburg-Henderson Austria No. 2 and Warburg-Henderson Koop Fund, a pan-European specialist fund. We also completed first and second closings for the Henderson German Retail Income Fund and won mandates for segregated clients totalling £152m.

Total uninvested client commitments at 31 December 2011 were £1.4bn (2010: £1.4bn), with £776m investments made, offset by £892m new equity and debt. We plan to deploy this equity in the US and Europe for selective purchases over the next few years. We invested in our distribution team to support future growth in these two markets where we are already well established and also newer markets, where we see strong potential. We plan to grow our existing sovereign wealth network, expand into new geographies and explore opportunities within the private wealth sector.

Most of the funds we launched followed our historical 'pooled fund' route, however the structure of the Warburg-Henderson Koop Fund represents a 'club' mandate for four pension funds. Increasingly, institutional clients are looking for more bespoke fund and investment solutions. By joining club deals such as these, it allows investors with similar investment and distribution strategies to group their equity together whilst also receiving individual client service and manager expertise. It is a route we plan to focus on more in the future.

We selectively invested in high quality, defensive assets with strong cash flows. We took advantage of a range of opportunities through our European infrastructure and

Case study

Foster strategic relationships: Warburg-Henderson



In 2011, we celebrated 10 years of successful partnership with M.M. Warburg & Co, a German private bank.

We founded our joint venture in order to access the German institutional market. The partnership provides local institutional investors with the best of both worlds: our European network, international asset management expertise and rigorous, research driven investment process, combined with Warburg's experience in setting up and managing a regulated company with HIH Hamburgische Immobilien Handlung, a specialist asset manager for the German property market.

By working closely together under the roof of a German Kapitalanlagegesellschaft, we launched our first fund in 2002, with the first acquisition being the OPEC building in Vienna.

Our first pan-European fund followed soon after in July 2003, and over the following couple of years, we launched several more pan-European funds, investment programmes and club deals.

The partnership has proved extremely successful and is well established with €4.1bn AUM across 17 property funds with 130 assets across 10 countries.



network which brought us a number of off-market deals. We also exited a number of investments where we had delivered on our business plan through either asset management or beneficial timing and where capital could be returned or re-invested. To ensure we deliver the best results for our clients, we take a long-term view on investment strategy and every transaction is considered accordingly.

Several of our larger specialist funds continued to be top performers in their sector e.g. the c.£1.1bn Henderson UK Retail Warehouse Fund was reported as being the top performing specialist retail warehouse fund for the year ended 31 December 2011. A number of our

funds with absolute return objectives, remain challenged to reach benchmarks which were set pre downturn in 2007. However, the properties held within our funds compare very favourably to those of our peers and we are well placed to deliver long-term performance as a result of the strategies in place.

One of the highlights and most talked about property deals of the year was our acquisition of the 'Leadenhall Triangle' from its administrators. These properties are in one of the City of London's largest development sites and were bought on behalf of our two Central London Office Funds and a Canadian wealth manager, Alberta Investment Management Corporation.

We continue to see opportunities in a number of countries and we are confident that we can continue to offer the right products which aim to meet the needs and aspirations of current and prospective clients.

Private Equity

Priscilla Davies
Managing Director



Continued focus on improving valuations of infrastructure funds

Solid long-term performance of Asia funds

Total AUM increased from £806m to £955m as positive market and foreign exchange rate movements of £310m offset net outflows of £93m. Towards the end of the year, we sold our interest in Hermes GPE, a private equity fund of funds joint venture with Hermes Fund Managers, acquired as part of the Gartmore acquisition.

In December 2011, Henderson Equity Partners (GP) Limited and Henderson Equity Partners Limited, two subsidiaries of Henderson Group plc, were served with legal proceedings, which allege breach of mandate and misrepresentation, by a majority of the investors in Henderson PFI Secondary Fund II L.P. The proceedings do not quantify the sums claimed and will be defended vigorously.

In the infrastructure business, we continued to make good progress with fund valuations either improving or remaining stable in the 12 month period to 30 September 2011. Underlying this improvement was good trading at John Laing which saw new investment volumes resilient despite the impact of the UK Government's austerity programme on infrastructure projects. At the same time, John Laing recorded further significant gains on the disposal of mature public-private partnership (PPP) assets to secondary investors. Our expectation is that the valuation of our infrastructure Fund I will continue to improve up to 31 December 2011. However, we expect that the valuation of Fund II, notwithstanding the good progress in the John Laing business, will

have declined as at 31 December 2011 due to a widening of the pension deficit in John Laing as a result of falling UK gilt rates.

The Asia private equity funds continue to perform well. The first fund has delivered a net IRR of 15% per annum over a 10 year period. The two remaining investments in this fund are expected to be realised in 2012. The second fund is now fully invested, after completing the final investment in an Indian consulting company during the year. The fund continues to perform well. Leveraging the track record of the first two funds, the private equity business is in the process of launching another Asia fund focused on investing in India.

The Fund of Funds business has had a strong year. The listed Fund of Funds vehicle, Henderson Private Equity Investment Trust plc, made significant progress in its realisation strategy, reducing its discount to net asset value to 20% from 33%. It sold six limited partnership commitments and a direct investment holding during the year. The combination of asset sale proceeds and distributions from its remaining limited partnership fund investments allowed it to cancel its bank facilities in October. In December, the trust made an initial cash return of £12.4m to shareholders, representing 18% of the share capital in issue.

The unlisted global Fund of Funds continues to perform well and has now delivered a net IRR of 13% per annum over 10 years.

Financial Review and KPIs

Shirley Garrood
Chief Financial Officer



Underlying profit up 58%

Diluted underlying EPS up 31%

Management fee margin up to 53.3bps

Improved operating margin to 36.3%

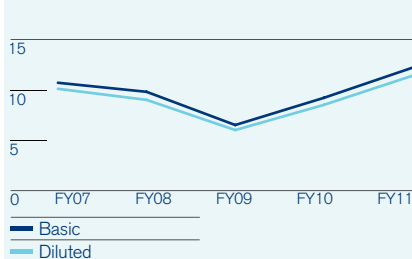
Reduced compensation ratio to 41.6%

Average AUM of £67.6bn

Financial performance

Underlying profit before tax increased 58% to £159.2m. This was primarily as a result of the acquisition of Gartmore contributing nine months of profits, and continued cost control in the business. As a result, the operating margin improved to 36.3%, and diluted earnings per share on underlying profit, as shown in the graph below, increased 31% to 12.4 pence per share.

Earnings per share (p) KPI



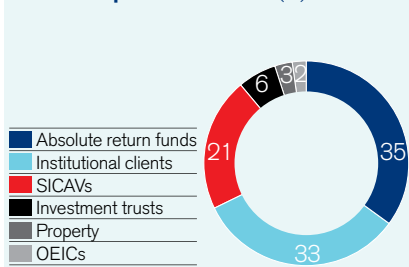
Income and fee margins

Management fees increased by 28% to £360.5m, principally due to nine months of fees from Gartmore.

Transaction fees increased by 39% to £51.1m, primarily due to the inclusion of Gartmore transaction fees.

Performance fees increased by 52% to £65.2m primarily driven by increases in performance fees earned on hedge funds, including funds acquired as part of the Gartmore acquisition and SICAV funds. The main contributors to performance fees are illustrated in the chart below:

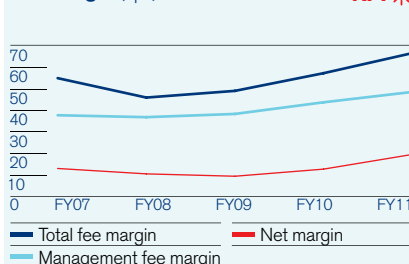
Sources of performance fees (%)



These increases in income helped to improve fee margins as shown in the chart below.

Total fee margin increased by 14% to 70.6bps through increasing management fee margins along with higher transaction and performance fees. Management fee margins increased by 11% to 53.3bps, largely resulting from the acquisition of Gartmore and some institutional outflows at a lower margin.

Fee margin (bps) KPI



Operating expenses

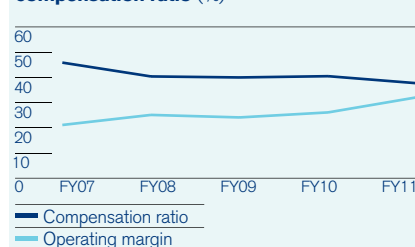
Operating expenses, including depreciation, increased by 20% to £303.7m, largely due to the acquisition of Gartmore.

Employee compensation and benefits increased by £38.8m to £199.9m. Fixed staff costs increased by £12.9m as headcount rose by approximately 100, mainly due to Gartmore staff transferring to the Henderson business, and salary inflation. Variable staff costs increased by £25.9m, reflecting the staff's share of higher performance fees and the increased number of staff, predominantly fund managers and distribution personnel, following the Gartmore acquisition. The average number of full-time employees increased by 11% to 1,043, mainly as a result of the Gartmore acquisition. Whilst total staff costs increased, the compensation ratio decreased to 41.6%, as shown in the chart below, reflecting the scale benefits of the Gartmore acquisition.

Other operating expenses increased by 12% as the increase in the number of funds and headcount following the Gartmore acquisition required additional administration and support.

The operating margin in FY11 increased to 36.3% as a result of integrating the Gartmore business at a higher operating margin along with higher performance fees and continued cost control.

Operating margin and compensation ratio (%) KPI



Finance income and finance expenses

Finance income increased by £2.5m to £3.3m in 2011 as higher cash balances generated increased interest income and FY10 included an impairment charge for a seed investment in a property fund.

Finance expenses increased by £8.5m to £17.2m, due to the issuance of the £150.0m 2016 Notes, to help repay Gartmore's pre-acquisition debt.

Non-recurring items

The Group recognised four non-recurring items in FY11, resulting in a net post-tax charge of £34.1m.

The cost of acquiring and integrating Gartmore amounted to £69.7m and, following the acquisition, a reassessment of previously unrecognised tax losses in the Group and Gartmore tax liabilities was carried out, resulting in the recognition of an £18.9m non-recurring tax credit.

A further £6.0m of restructuring costs were incurred in 4Q11 as a result of cost saving measures taken in response to the market volatility in the second half of 2011. Additionally, £6.5m of the void property provision was released relating to properties acquired at the time of the New Star acquisition.

Please refer to note 7 to the Financial Statements on page 65 for a more detailed analysis.

Tax

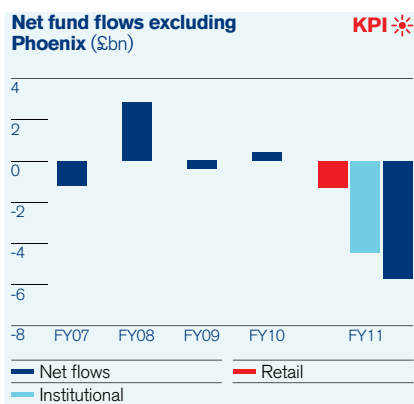
The tax charge on underlying profit for the year was £33.6m resulting in an effective tax rate of 21.1%. The effective tax rate on underlying profit is less than the pro rata UK corporation tax rate of 26.5%, primarily as a result of the net favourable effects of different statutory tax rates applying to profits generated by non-UK subsidiaries. The effective tax rate has increased slightly in FY11 due to the impact of Gartmore, a predominantly UK business.

AUM and fund flows

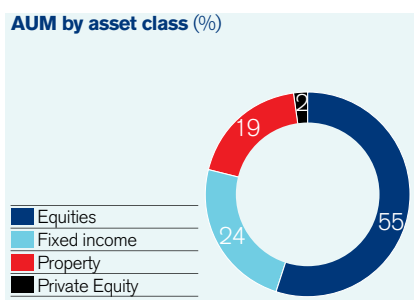
Total AUM at 31 December 2011 were £64.3bn, an increase of 4% compared to 31 December 2010 as shown on page 17. Corporate activity added a net £11.7bn to AUM. The acquisition of Gartmore added £15.7bn, which was partially offset by the divestment of non-core businesses of £4.0bn which included the transfer of the HLAf to DB Advisors (£1.5bn), the sale of NSIM to Connor, Clark & Lunn UK Limited (£1.1bn) and the disposal of the Group's interest in Hermes GPE (£1.4bn).

Market and FX movements during the year resulted in a further reduction of £2.7bn as global equity markets fell in 2H11 as a result of the eurozone sovereign debt crisis.

During the year the Group suffered significant net outflows totalling £6.4bn, predominantly in 2H11. In Retail we saw £1.4bn of net outflows, of which £0.3bn was previously notified losses from Gartmore. Institutional saw outflows of £4.7bn, Phoenix withdrew £0.6bn whilst Property saw net inflows of £0.3bn.



The chart below shows AUM by asset class. Following the Gartmore acquisition, the proportion of Equities as a percentage of the total AUM rose to 55%, reflecting the fact that Equities represented over 90% of Gartmore's AUM.



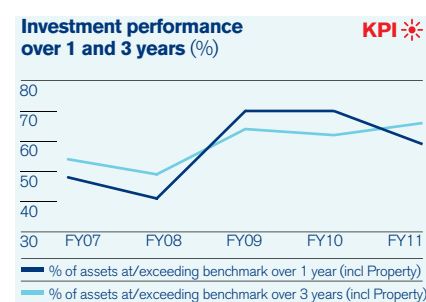
Investment performance

Investment performance of the Group's funds continues to remain good over three years although one year figures suffered slightly following lower Property performance and volatile markets in the second half of 2011. Overall, 59% and 66% of funds exceeded their benchmarks over one and three years respectively. Looking at the various asset classes, 53% and 71% of Equity funds and 79% and 87% of Fixed Income funds were either achieving or beating their benchmarks for one year and three years respectively. Property performance was 48% and 23% for one year and three years respectively where in particular the effects of the property downturn in 2008 and 2009 continued to impact the longer term numbers.

Within Investment Management, 53% of Equity funds and 79% of Fixed Income funds achieved or beat their benchmarks over one year, improving to 71% and 87% respectively over three years. The UK retail and the SICAV fund ranges have both improved their performance over three years with 70% and 94% of assets respectively outperforming. Whilst remaining disappointing, the US retail range improved both its one year and three year performance over the period. In this range, the Henderson International Opportunities

Fund, representing over half of US retail assets, remained below its benchmark. Segregated mandates continue to perform well with 71% and 97% of funds achieving or beating benchmark over one and three years respectively and despite a difficult environment for absolute return funds, 52% and 89% outperformed.

With the IPD Annual Benchmarks to be published in March 2012, Property investment performance included in the overall fund performance statistics remains an estimate derived from monthly data.



Gartmore acquisition

The acquisition of Gartmore completed on 4 April 2011 at a cost of £365.4m. The acquisition has enhanced the Group's scale and product capability in the UK and European retail fund markets, providing a significant platform for future organic growth. In addition, the Group's absolute return product offering has been significantly strengthened along with distribution capability in Asia, particularly Japan. As at 31 December, some 86% of the AUM (before market movements and net of notified redemptions at announcement) had been retained. The business is now fully integrated within the Group's existing businesses and functions.

The operating margin of the acquired Gartmore business has exceeded 50% and the integration has delivered significant enhancements in underlying earnings per share. Our annualised return on investment has exceeded our cost of capital.

As a result of the acquisition, we recognised intangible assets representing purchased goodwill of £238.3m and investment management contracts valued at £220.9m. The investment management contracts are being amortised on a straight-line basis over periods of between four and six years. The amortisation charge for FY11 was £30.1m.

Total acquisition and integration costs incurred, totalled £69.7m before tax (£34.5m after tax and other tax benefits) and include costs related to staff, fund mergers, rebranding and office relocation and reorganisation.

Financial Review and KPIs continued

Liquidity and capital resources

The Group's business continued to generate positive operating cash flows during 2011 with net cash flows from operating activities, after funding Gartmore integration costs, totalling £90.6m. Net cash flows from investing and financing activities were dominated by the funding for the acquisition of Gartmore, with the Group raising a net £116.7m in March 2011 through the issuance of the 2016 Notes and the associated exchange of the 2012 Notes. Immediately following the Gartmore acquisition, the Group repaid Gartmore's £245.4m euro and dollar denominated debt by utilising Gartmore's cash resources and part of the proceeds of the debt issuance.

During the year, the Group has recognised a £23.5m credit in the Consolidated Statement of Changes in Equity which represents monies unclaimed by former shareholders in respect of an exchange for the cancellation of shares in 2005.

Cash and cash equivalents at 31 December 2011 were £273.9m, an increase of £97.3m in FY11 and gross debt, at par, amounted to £292.6m. Therefore, at 31 December 2011 net debt, excluding restricted and manager dealing account balances, stood at £28.0m. On 2 May 2012, the Group will repay the 2012 Notes of £142.6m in full from its existing cash resources.

To ensure sufficient funds were available for the repayment of Gartmore debt and subsequent working capital, the Group entered into a £200m multicurrency term facility on 12 January 2011. On 3 February 2012, the remaining elements of this facility were cancelled. Also on 12 January 2011, the Group entered into a £75m revolving credit facility which expires in April 2014. To date, this facility has not been drawn and remains available to the Group.

Pension schemes

The Group has five pension schemes. A defined benefit scheme and a defined contribution scheme, together forming the Henderson Group Pension Scheme (HGPS), the Gartmore Pension Scheme (GPS) and three smaller unapproved pension top-up schemes for former executives.

There was a net surplus in HGPS of £136.8m, after tax deducted at source, at 31 December 2011. The increase in the surplus was mainly due to better than expected returns on the assets and the move from the Retail Price Index to the Consumer Price Index as the basis for future increases in deferred pensions following legislation announced by the UK Government during the year. A reduction in the discount rate used to value the liabilities partially offset these gains.

The defined benefit GPS, which is closed to future accrual, had a net surplus of £54.1m, after tax deducted at source, as at 31 December 2011. The increase in the surplus, since acquisition, arose as a result of better than expected returns on assets, partly offset by a reduced discount rate used to value the liabilities. The liability in respect of the Group's unapproved pension schemes amounted to £6.5m at 31 December 2011.

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. In 2011, as part of the Gartmore acquisition process, the Group was granted a new waiver from consolidated supervision which is valid until April 2016.

The regulatory capital surplus of the Group, under the parent financial holding company test, amounted to £623m at 31 December 2011 (2010: £304m). The increase in capital surplus is primarily as a result of shares issued in respect of the Gartmore acquisition.

Dividends

The Board is recommending a final dividend for 2011 of 5.05 pence per share which will bring the total dividend for the year to 7.0 pence per share, an increase of 0.5 pence per share from 2010. The proposed final dividend will be paid on 25 May 2012 to shareholders on the register at 4 May 2012.

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

Case study

Operate efficiently: Fund rationalisation project



Following the acquisition of Gartmore, we embarked on an extensive programme to rationalise our fund range in order to reduce complexity, improve efficiency in our business and allow us to focus on key investment strategies.

In our UK retail business specifically, we identified a number of funds which were duplicates, subscale or had limited client demand. As a result, in 2011 we merged 22 funds with other larger funds. This programme, which will continue in 2012, will ultimately reduce the number of our UK retail funds by around 30%, help eliminate client and market confusion and result in a fund range that is more attractive to our retail clients.

For our institutional business, where we currently manage around 30 pooled funds, we will close subscale funds and undertake several initiatives to distinguish these from our more visible retail fund range. Although these changes are not difficult, they require operational and administrative change combined with clear client communications. We will continue to build our capabilities in strategies where we see long-term growth potential and where we have previously identified gaps.



Summary of movements in AUM

£m

	Opening AUM 2011	Gartmore take-on AUM	Henderson net flows	Gartmore net flows ¹	Group net flows	Transfers ²	Markets/ FX	Closing AUM 2011	Closing AUM Ave net mgmt fee bps ⁴
INVESTMENT MANAGEMENT									
UK OEICs/Unit Trusts	9,758	6,456	283	(344)	(61)	207	(1,634)	14,726	
SICAVs	5,075	3,027	(697)	(234)	(931)	–	(1,004)	6,167	
US Mutuals	3,649	–	(314)	–	(314)	–	(454)	2,881	
Investment Trusts	3,639	383	19	(24)	(5)	–	(434)	3,583	
Total Retail	22,121	9,866	(709)	(602)	(1,311)	207	(3,526)	27,357	
UK OEICs/Unit Trusts	4,487	172	(582)	(35)	(617)	–	278	4,320	
SICAVs	139	178	115	(97)	18	–	(55)	280	
Offshore Absolute Return Funds	1,630	1,694	139	(154)	(15)	–	(330)	2,979	
Investment Trusts	32	–	(5)	–	(5)	–	–	27	
Managed CDOs	1,210	–	(289)	–	(289)	–	115	1,036	
Segregated Mandates	9,251	2,411	(3,411)	(426)	(3,837)	201	(44)	7,982	
Liquidity Funds	2,278	60	79	(60)	19	(1,889)	(9)	459	
NSIM Mandates	1,092	–	66	–	66	(1,137)	(21)	–	
Total Institutional	20,119	4,515	(3,888)	(772)	(4,660)	(2,825)	(66)	17,083	
TOTAL INVESTMENT MANAGEMENT	42,240	14,381	(4,597)	(1,374)	(5,971)	(2,618)	(3,592)	44,440	57
Consisting of:									
<i>Absolute Return Retail</i>	292	656	111	286	397	–	(30)	1,315	
<i>Absolute Return Institutional</i>	1,811	1,694	146	(173)	(27)	–	(223)	3,255	
<i>Total Absolute Return</i>	2,103	2,350	257	113	370	–	(253)	4,570	
PROPERTY									
UK OEICs/Unit Trusts	840	–	(45)	–	(45)	–	(13)	782	
Total Retail	840	–	(45)	–	(45)	–	(13)	782	
Property Funds	8,977	–	247	–	247	–	289	9,513	
Segregated Mandates	1,993	–	68	–	68	18	34	2,113	
Total Institutional	10,970	–	315	–	315	18	323	11,626	
TOTAL PROPERTY	11,810	–	270	–	270	18	310	12,408	45
PRIVATE EQUITY									
Investment Trusts	78	–	(22)	–	(22)	–	7	63	
Total Retail	78	–	(22)	–	(22)	–	7	63	
Private Equity Funds ³	728	–	(34)	–	(34)	–	198	892	
Hermes JV	–	1,334	–	(37)	(37)	(1,402)	105	–	
Total Institutional	728	1,334	(34)	(37)	(71)	(1,402)	303	892	
TOTAL PRIVATE EQUITY	806	1,334	(56)	(37)	(93)	(1,402)	310	955	
PHOENIX									
UK OEICs/Unit Trusts	3,238	–	(240)	–	(240)	–	(166)	2,832	
Segregated Mandates	2,307	–	(85)	–	(85)	864	471	3,557	
Private Equity Funds	118	–	(31)	–	(31)	–	5	92	
Liquidity Funds	1,090	–	(226)	–	(226)	(864)	–	–	
TOTAL PHOENIX	6,753	–	(582)	–	(582)	–	310	6,481	
TOTAL GROUP	61,609	15,715	(4,965)	(1,411)	(6,376)	(4,002)	(2,662)	64,284	55

Notes

1. Since acquisition, after taking into account previously net notified redemptions, Gartmore outflows total £1,043m.
2. These represent transfer of HLAf to DB Advisors, and sales of NSIM and Hermes GPE JV during 2011.
3. Private Equity AUM is based on 30 September 2011 valuations.
4. Private Equity AUM and net management fees (including Hermes JV) are excluded from this analysis due to the confidential nature of these fee arrangements and, therefore, also excluded from the average management fee basis.

Risk Management

Our framework embeds the management of risk at all levels within our 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.



Andrew Steward
Chief Risk Officer



Acquisition

Description

The risk of organisational stress through the potential demands made on staff and resources through the need to integrate acquired businesses. This risk is aligned to the Group's long-term strategy that involves willingness to consider the acquisition of businesses.

Mitigation

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 integrate successfully the acquired business. During the year, and as more fully explained on page 15, Gartmore was acquired and integrated successfully within the Henderson business. Governance structures were established to identify, monitor and control acquisition related risks. Acquisition integration activities have been completed.



Credit

Description

The risk of a counterparty to the Group defaulting on funds deposited with it or the non-receipt of a trade debt.

Mitigation

We have an established credit risk policy to ensure counterparties meet minimum rating requirements consistent with the Group's risk appetite. Furthermore, the Credit Risk Committee meets regularly to approve, review and set limits for all new and existing counterparties. As a result of the market conditions during 2011, there has been heightened focus on monitoring counterparties and limits have been changed accordingly.



Foreign currency

Description

The risk that the Group will sustain losses through adverse movements in exchange rates.

Mitigation

We mitigate this risk through either the effect of natural hedges i.e. holding financial assets and liabilities of equal value in the same currency, and by limiting the net exposure to an individual currency or by hedging exposure arising from available-for-sale securities. A Hedge Committee oversees the risk and reports to the Board monthly. As a result of the market conditions during 2011, there has been heightened focus on monitoring euro denominated assets.



Key personnel

Description

The risk of losing either a member of the Executive Committee (ExCo) 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.

Mitigation

We operate competitive remuneration structures designed to recognise and reward performance. 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

Description

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

Mitigation

We manage liquidity on a daily basis within the Finance function, to ensure 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 our clients' funds and has no obligation to provide short-term liquidity to our clients.

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.



Go online www.henderson.com for 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).

For further details  36



Investment performance

Description

The risk that funds fail to achieve performance hurdles or benchmarks. This might cause clients to redeem their investments, which in turn would result in a reduction in revenue earned by the Group. Poor fund performance will also result in lower performance fees.

Mitigation

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. We also have a broad range of funds to reduce the probability of all funds underperforming at the same time.



Market

Description

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 revenue that is based on the value of clients' AUM.

Mitigation

We mitigate the 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 one market value of AUM and makes a significant amount of its expense base variable. As explained more fully on page 15 staff costs have been reduced in the latter part of 2011 in response to reduced market levels in order to maintain an acceptable level of profitability.



Operational

Description

The risk that the Group will sustain losses through inadequate or failed internal processes, people, systems and external events. This includes the risk arising from failing to manage key outsourced service providers properly and also the risk arising from business disruption (the occurrence of events which could have a material impact on the operations of the business).

Mitigation

We operate a system of controls which is designed to ensure operational risks are mitigated to an acceptable level. The operation and effectiveness of the controls are regularly assessed and confirmed through the work of the Group's assurance functions: Risk, Compliance and Internal Audit. Outsourced service providers are overseen by the relevant line function and, for key relationships, their controls are also reviewed by the Group's assurance functions. We maintain and test business continuity plans which 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.



Regulatory/legal

Description

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 our products, increasing capital requirements or in some other way.

Mitigation

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 monitors ongoing regulatory obligations and engages in dialogue with our main regulator.



Reputational

Description

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 materialising rather than as a standalone risk.

Mitigation

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.

Corporate Responsibility Report

A sustainable approach to business

We are committed to interacting responsibly with all of our stakeholders and have built our corporate responsibility around four main pillars as summarised below.

Our commitment and efforts in these areas have been recognised externally through continued inclusion in the FTSE4Good UK Index. We also comply with the principles of the UK Stewardship Code.



Further detailed information can be found on our website at www.henderson.com



Marketplace

Aims and objectives

We seek to operate high standards of corporate governance and aim to take an active approach to voting in investee companies.

Our adoption of the UN Principles for Responsible Investment (PRI) creates a framework for considering environment, social and governance (ESG) issues that have the potential to add value to our investment decisions.

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.

Our property assets also have Responsible Development and Investment Policies.

Progress in 2011

- Key ESG issues were analysed and formed the basis of our engagement on matters related to corporate governance, climate change and human rights.
- We participated in additional ESG-related initiatives, by signing up to the PRI-led Sustainable Fisheries Engagement and New Analyst Call projects, and becoming a member of the Asian Corporate Governance Association. Other key ESG initiatives we participated in included the Carbon Disclosure Project (CDP), the Institutional Investor Group on Climate Change, Better Building Partnership and s-i-r-e (Sustainable Investment in Real Estate).

- We ran a Europe-wide programme to measure carbon emissions, water consumption and waste management within the Property business, setting targets to improve the environmental and social impacts of our assets under management.
- We were awarded 4 'Green Stars' in the 2011 Global Real Estate Sustainability Benchmark for our Shopping Centre Fund, Retail Warehouse Fund, Central London Office Fund and European Outlet Mall Fund.
- We expanded the scope in our Investment Management business of the Responsible Investment Policy to incorporate the fixed income asset class and included a representative of fixed income on our Responsible Investment Committee, which oversees the implementation of policy.

2012 plans

- Maintain high standards of customer care and explore ways to integrate ESG factors across all our asset classes.
- Further develop our internal systems used for capturing and reporting our engagement with companies we invest in, as part of our commitment to the UK Stewardship Code.
- Analyse compliance with the core elements of the Global Compact, a strategic policy initiative designed for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles. We will cover all our major equity holdings, and seek to engage with non-compliant companies to improve their performance.
- Report in line with new property specific industry guidance including the Global Reporting Initiative Construction and Real Estate Sector Supplement and Sustainability Reporting Recommendations.



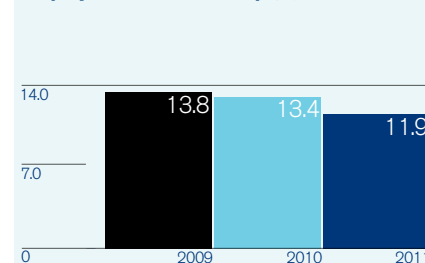
Workplace

Aims and objectives

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.

We aim to enhance our learning and development programme and introduced creative solutions to develop, attract and retain talent. We are committed to building staff share ownership and creating a reward approach that consists of both financial and non-financial elements when recognising individuals' performance.

Employee share ownership (%)



Note:
Assuming all share plans vested, employee ownership was diluted in 2011 due to the issue of shares in respect of the Gartmore acquisition.

Progress in 2011

- We continued to roll out a new learning and development platform with 33% of staff attending one session or more.
- Since its inception in June 2010, we have taken on 49 trainees onto our trainee programme. 75% of those who have completed the scheme have gained permanent employment with the Group.

- We made our share schemes available to all staff in all locations.
- 88% of employees contributed to share schemes.
- We won two Shareplan Awards for most effective communication and best overall performance in fostering employee share ownership.
- We actively promote vacancies on our intranet site to encourage employees to consider other opportunities within the Group, thereby potentially filling vacancies internally.

2012 plans

- Use staff survey results to identify areas for potential improvement.
- Encourage employees to make further use of our learning and development courses.
- Promote staff share schemes, especially for non-UK employees.
- Build on the success of our trainee programme and encourage more apprenticeships.



Environment

Aims and objectives

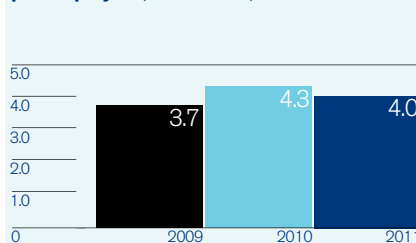
We follow responsible environmental practices for all Group operations and aim to minimise any adverse impact on the environment.

We 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 CarbonNeutral Company by procuring credits through verified carbon offset schemes.

Progress in 2011

- We maintained our status as a CarbonNeutral Company by becoming more efficient and offsetting our net emissions of 2,918 tonnes CO₂e.
- We sourced a carbon offset portfolio of emission reduction projects including: wind power, methane capture and forestry located across Asia and the US.
- Despite growing global headcount by 11% in 2011, the carbon footprint of the business increased by just 1%.

Global emissions per employee (tonnes CO₂e)



- Based on CDP analysis prepared by The CarbonNeutral Company, we ranked sixth out of 24 based on emissions per employee within the capital markets sector. Our global emissions per employee were 4.0 tonnes CO₂e (4.3 in 2010).
- We procured energy from renewable sources at our London office and offset our residual carbon footprint.
- The energy monitoring system introduced in the London office in 2010, helped deliver a 5% energy reduction in 2011.
- All waste reduction, re-use and recycle schemes operated effectively. From the London office, 72.6 tonnes of paper was recycled and 72.5 tonnes of general waste incinerated. Nothing was sent to landfill.
- We received a Platinum Award for our submission to the Corporation of London Clean City Awards Scheme.
- An additional 27 staff joined the cycle to work scheme and we now have 10% of UK employees participating in the scheme which was introduced in 2009.
- We are members of the Broadgate Environmental Working Group and the City Environmental Forum to share our best practice and environmental initiatives.

2012 plans

- Maintain our status as a CarbonNeutral Company and focus on our energy reduction programme in our London office.
- Maintain and develop our waste management, re-use and recycling programme.
- Engage in a government backed scheme to perform a third party building survey on the London office to monitor whether the building has met design specification and therefore whether energy usage has been efficient.



Community and supply chain

Aims and objectives

We aim to foster positive relationships with the local London community, as this is where the majority of our staff work. Activities focus on employee involvement and charitable donations, and we encourage staff participation by matching money raised, pound for pound.

We also aim to ensure that our suppliers and service providers operate responsible labour and environmental practices, and have practices in line with our Corporate Responsibility Policy.

Progress in 2011

- We continued our support of Community Links, our preferred charity since 1987. This is an inner city charity running community based projects in East London, close to the London office.
- We donated a total of £149,532 to community and charitable purposes, compared with £35,938 in 2010. In addition to staff related fund raising of £74,532, we donated £50,000 to the Isaac Newton Institute, a leading mathematics institute, and £25,000 to The Carers Resource, a charity providing support to carers throughout the UK.
- Employee matching grants made in 2011 were £45,247, an increase of 131% from 2010.

2012 plans

- Continue to promote staff involvement in the local community and encourage further participation in our Give As You Earn scheme.
- Review corporate procurement so that good sustainability practices can continue to be incorporated.



Andrew Formica presented Geraldine Blake, the Chief Executive of Community Links with a cheque for £14,765 which was raised from the fund raising events over Christmas 2011.

Our People

Andy Boorman
Managing Director,
Corporate Services



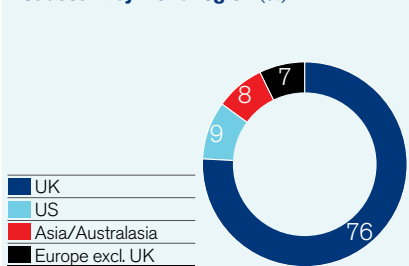
Culture

At Henderson, we aim to create a culture that has our clients' interests at the heart of every action we take. Our employment practices are designed to help us create a workplace in which all employees are respected, valued by and engaged with the organisation. We invest in our employees' careers, providing learning and development opportunities to improve their performance and progression. Our reward strategy not only helps create a winning culture but is aligned with the interests of our clients and shareholders.

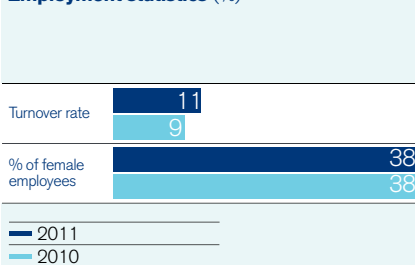
Diversity

As a global organisation, Henderson employs around 1,000 staff across 19 countries, represented by over 40 nationalities. 38% of our workforce are women and the proportion of women in senior roles has also remained broadly consistent during 2011.

Headcount by world region (%)



Employment statistics (%)

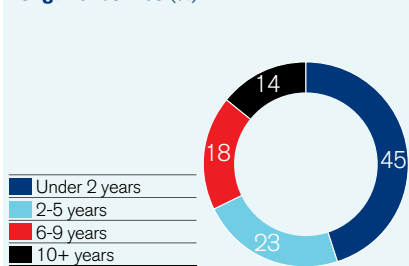


Engagement

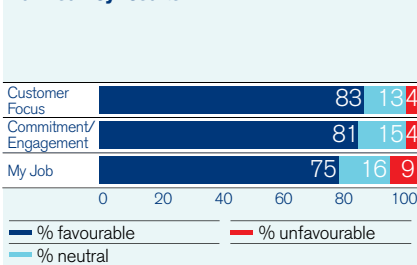
We believe that an engaged workforce delivers outstanding client service and helps drive business performance. In our most recent confidential staff survey we achieved a 78% response rate. In general the results were substantially ahead of the industry benchmark. Results in 2011 showed a small improvement in the areas of Customer Focus and Commitment/Engagement. Results were broadly flat in My Line Manager and Reward and slightly down in My Job.

We aim to provide a working environment where staff are encouraged to develop their professional skills. We believe that developing and nurturing talent remains critical to our success and helps contribute towards our high staff retention rates, as reflected in the chart below.

Length of service (%)



2011 survey results



Case study

Be client-led: City of London



The City of London Investment Trust plc (City of London) is Henderson's biggest investment trust client with over £700m AUM and a share register consisting mostly of wealth managers and private investors.

In 2011, the City of London board was keen to learn how the trust could meet investors' needs, and open up new sources of demand for shares in the trust, once the Retail Distribution Review (RDR) was implemented.

Our investment trust team shared the board's enthusiasm for providing the IFA market with alternative solutions in a post-RDR world. We saw the potential for the City of London to be a key product offering in the UK Growth and Income space.

As such, marketing and client communications on the City of London were tailored specifically for the IFA community, and promoting the trust remains a key objective for our sales and marketing team.



Governance

Adhering to high standards of corporate governance

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Board of Directors

				
Rupert Pennant-Rea Chairman of the Board and Chairman of the Nomination Committee	Andrew Formica Chief Executive	Shirley Garrood Chief Financial Officer	James Darkins Managing Director, Property	David Jacob Managing Director, Henderson Investment Management and Chief Investment Officer
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.	Experience Mr Formica has been in the fund management industry since 1993. He has held various senior roles with the Group in the past 12 years and he has been a member of the Executive Committee since 2004. Prior to being appointed Chief Executive of the Company, he was Joint Managing Director of the Listed Assets business (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.	Experience 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 Executive Committee since 2002, formerly as Chief Operating Officer. Prior to this, she was Chief Operating Officer at Morley Fund Management (Aviva) and trained as an accountant with KPMG.	Experience Mr Darkins joined AMP in 1998, before AMP's acquisition of Henderson Group, as Head of Property in New Zealand. Mr Darkins was subsequently appointed Head of Property for Asia based in Sydney, before taking up his current role in London in 2001 and has been a member of the Executive Committee since that date. Over the course of his career, Mr Darkins has worked in a number of property and building related companies in the UK and New Zealand, including 18 years in the property investment and development industry.	Experience Mr Jacob joined Henderson Group in January 2005 as Head of Fixed Income. In 2006, he was appointed Joint Managing Director of the Listed Assets business and has been a member of the Executive Committee since 2005. Mr Jacob is now the Chief Investment Officer and Managing Director of Henderson Investment Management and is responsible for equities and fixed income investment, operations and IT. He also oversees the development of Henderson's North American business. Before joining Henderson Group, he was Head of Fixed Income for UBS Global Asset Management, Europe and UK.
Term of office* Non-Executive Director since October 2004 and Non-Executive Chairman since March 2005. Current 12 month term of office expires in September 2012.***	Term of office* Executive Director since November 2008. No fixed term of office.**	Term of office* Executive Director since August 2009 and Chief Financial Officer since September 2009. No fixed term of office.**	Term of office* Executive Director since May 2011. No fixed term of office.**	Term of office* Executive Director since May 2011. No fixed term of office.**
External appointments Mr Pennant-Rea was appointed Non-Executive Chairman of the Economist Group in July 2009. His other directorships include Go-Ahead Group plc and Gold Fields Limited (South Africa). He was appointed as a Non-Executive Director of Hochschild Mining plc on 1 September 2011.	External appointments None	External appointments None	External appointments None	External appointments None
Board Committee membership Chairman of the Nomination Committee. Mr Pennant-Rea attends meetings of other Committees by invitation.	Board Committee membership Mr Formica attends Committee meetings by invitation.	Board Committee membership Mrs Garrood attends Committee meetings by invitation.	Board Committee membership Mr Darkins attends Committee meetings by invitation.	Board Committee membership Mr Jacob attends Committee meetings by invitation.

* All Directors' appointments are subject to their retirement by rotation and reappointment by shareholders at the Company's Annual General Meetings.

** Executive Directors are employed on annual rolling agreements and their service contracts are terminable on 12 months' written notice by the Company or on not less than six months' written notice by the relevant Executive Director.

*** If a Non-Executive Director is reappointed after having served six years, such reappointment, and any subsequent reappointment, will normally be for a period of 12 months.

				
Gerald Aherne Independent Non-Executive Director and Chairman of the Remuneration Committee	Kevin Dolan Independent Non-Executive Director	Duncan Ferguson Independent Non-Executive Director and Chairman of the Board Risk Committee	Tim How Senior Independent Director	Robert Jeens Independent Non-Executive Director and Chairman of the Audit Committee
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. Previously, he was Chief Executive of Javelin Capital LLP and an Executive Director of Majedie Investments 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 Insurance.	Experience Mr Dolan has been in the financial industry for 32 years. Mr Dolan has held various executive positions, including as Chief Executive of the Asset Management Division of Bank of Ireland Group and Chief Executive of Edmond de Rothschild Asset Management. He spent 10 years with the AXA Group where he was Chief Executive Officer of AXA Investment Managers Paris, and Global Deputy Chief Executive Officer of AXA Investment Management. He was Chief Executive of La Fayette Investment Management in London from 2006 until 2009. Mr Dolan has been a Director on a number of boards in Europe and the US, including DLJ and Alliance Capital.	Experience Mr Ferguson is an experienced actuary. Mr Ferguson's career was in senior management of insurance companies and as a consulting actuary. He was Senior Partner of Bacon & Woodrow which became 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. He resigned as a Non-Executive Director of Windsor Life on 28 February 2011.	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 was also a Non-Executive Director of Framlington AIM VCT 2 plc.	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. His previous Non-Executive Director appointments include the Chairman of nCipher plc and the Deputy Chairman of Hepworth plc. He was a Non-Executive Director of Dialight plc and resigned as a Non-Executive Director of Gartmore Fledgling Trust plc on 18 April 2011.
Term of office* Non-Executive Director since October 2004. Current 12 month term of office expires in September 2012.*** Mr Aherne is standing down at the 2012 AGM.	Term of office* Non-Executive Director since September 2011. Mr Dolan's current three year term of office expires in September 2014.	Term of office* Non-Executive Director since July 2004. Current 12 month term of office expires in May 2012.***	Term of office* Non-Executive Director since November 2008 and Senior Independent Director since January 2010. Mr How's current three year term of office expires in November 2014.	Term of office* Non-Executive Director since July 2009. Mr Jeens' current three year term of office expires in July 2012.
Other appointments Mr Aherne is currently the Chairman of Electric & General Investment Fund and a Non-Executive Director of Mecom Group plc.	Other appointments Mr Dolan is the founding partner of Anafin LLC, an advisory firm specialising in the investment industry.	Other appointments Mr Ferguson is the Senior Independent Director of The Royal London Mutual Insurance Society Limited and the Chairman of both the Phoenix Group and Guardian Assurance With-Profits Committees.	Other appointments Mr How is a Non-Executive Director of Dixons Retail plc and the Non-Executive Chairman of Framlington AIM VCT plc. He is also the Chairman of Rayner and Keeler Limited and Woburn Enterprises Limited and the Deputy Chairman of the Peabody Trust.	Other appointments Mr Jeens has been a Non-Executive Director of The Royal London Mutual Insurance Society Limited since 2003. He is currently also a Non-Executive Director of TR European Growth Trust PLC and was appointed as a Non-Executive Director of JPMorgan Russian Securities plc with effect from 14 October 2011.
Board Committee membership Chairman of the Remuneration Committee and a member of the Board Risk Committee and the Nomination Committee. Mr Aherne attends meetings of the Audit Committee by invitation.	Board Committee membership Mr Dolan is a member of the Board Risk, Nomination and Remuneration Committees. Mr Dolan attends meetings of the Audit Committee by invitation.	Board Committee membership Chairman of the Board Risk Committee and a member of the Audit Committee and the Nomination Committee. Mr Ferguson attends meetings of the Remuneration Committee by invitation.	Board Committee membership Mr How is a member of the Audit, Nomination and Remuneration Committees. Mr How attends meetings of the Board Risk Committee by invitation.	Board Committee membership Chairman of the Audit Committee and a member of the Nomination and Board Risk Committees. Mr Jeens attends meetings of the Remuneration Committee by invitation.

Directors' Report

Principal activities

The principal activity of the Group 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 52. The Business Review, which is set out on pages 2 to 22, is incorporated into and forms part of this Directors' Report. Future developments are included in the Chairman's Statement on page 7 and the Chief Executive's Review on pages 8 to 10. The Financial Review and KPIs are set out on pages 14 to 17.

Corporate governance

The Corporate Governance Statement appears on pages 29 to 38 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 28 February 2012, 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.

Directors

Details of the Board members who served during the year and at the date of this report are set out on pages 24 and 25.

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 UK Corporate Governance Code, all Directors will offer themselves for reappointment at the AGM on 2 May 2012, except for Mr Aherne who is standing down at the AGM.

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.

Directors' remuneration and interests

A report on Directors' remuneration appears on pages 39 to 48, 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 2011. 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.

Indemnification and insurance of Directors and Officers

The Company provides an Instrument 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 Instrument 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.

Financial instruments

Information regarding 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 Financial Statements.

Political donations

The Group made no UK 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 £149,532 (2010: £35,938), which comprised social and welfare £27,920 (2010: £7,611), education and non-UK £13,530 (2010: £6,845), and medical and other projects £108,082 (2010: £21,482).

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 2011 represent approximately 30 days of average daily purchases throughout the year (2010: 30 days).

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/100, 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 2012, covering the AGM of the Company to be held on 2 May 2012, will be sent or made available to all shareholders and will contain an explanation of the business before that meeting.

Share capital and structure

Details of movements in the allotted share capital during the year are given in note 25.2 to the Financial Statements.

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 28 February 2012, 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 as set out in the table below.

Employee share schemes

The Company has a number of employee share schemes. The rights attached to the shares of several of the share schemes are not exercisable directly by 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 may consider any recommendations made by the Company, where applicable, the discretion to vote remains with the trustees with two exceptions: firstly, in cases of takeover or reconstruction, the employees do have a right to vote via the trustees and secondly, the trustee of the Henderson Group plc Buy As You Earn Share Plan, and its international equivalent, does not have discretion on how to vote. For these plans, the trustee seeks instructions from the employees beneficially entitled to the 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 on their behalf. 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 31 December 2011. As at 28 February 2012, the Company has authority to allot shares up to a nominal value of £33,922,249.50, or £67,922,249.50 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 £45,800,000, or £91,600,000 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 2 May 2012. 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.

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 £6,875,000 at the AGM on 2 May 2012.

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 or, 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

Substantial shareholdings	Total number of shares	Percentage of total voting rights
Perpetual Limited	141,332,412	12.90%
Lansdowne Partners Limited Partnership	45,098,010	6.22%
IOOF Holdings Limited	57,058,774	5.20%
BlackRock, Inc.	41,389,306	5.01%
AMP Limited	46,099,167	4.18%
Legal & General plc	28,833,257	3.97%

Note:

The number of shares and the percentage of total voting rights are those at the date the Company was notified.

Directors' Report continued

share as derived from the LSE Trading System. No ordinary shares were bought back by the Company during 2011.

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.

The Companies (Jersey) Law 1991 provides that a CP Contract must be approved by shareholders by special resolution. No Converted Shares were bought back by the Company during 2011.

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 28 February 2012. Shareholders will be asked to renew these authorities up to a limit of 110,000,000 ordinary shares at the AGM on 2 May 2012.

Significant agreements

HGI Group Limited (previously Henderson Group plc and now a wholly-owned subsidiary of the Company) has in issue £142,592,000 2012 Notes maturing on 2 May 2012 listed on the LSE. Condition 6.3 of the terms and conditions of the 2012 Notes gives each noteholder the option to require HGI Group Limited to redeem or (at HGI Group Limited's option) to purchase that 2012 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 if any person or persons acting together come(s) to own 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) save in circumstances where the ultimate shareholders remain the same. In the event that 80% or more in the nominal amount of the 2012 Notes then outstanding has been redeemed or purchased in accordance with this condition, HGI Group Limited may redeem, at its option, the remaining 2012 Notes as a whole at their principal amount plus accrued interest.

Henderson UK Finance plc (a wholly-owned subsidiary of the Company) has in issue £150,000,000 2016 Notes maturing on 24 March 2016 and listed on the LSE. Condition 7.3 of the terms and conditions of the 2016 Notes gives each noteholder the option to require Henderson UK Finance plc to redeem or (at Henderson UK Finance plc's option) to purchase that 2016 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 if any person or persons acting together come(s) to own more than 50% of the share capital of Henderson Group plc (or more than 50% of the voting rights attached to the share capital of Henderson Group plc) save in circumstances where the ultimate shareholders remain the same. In the event that 80% or more in the nominal amount of the 2016 Notes then outstanding has been redeemed or purchased in accordance with this condition, Henderson UK Finance plc may redeem, at its option, the remaining 2016 Notes as a whole at their principal amount plus accrued interest.

The Group has entered into multicurrency term and GBP revolving credit 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 on the remaining revolving credit facility should a 'Change of Control' occur.

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 2012 AGM.

Directors' statement as to disclosure of information to auditors

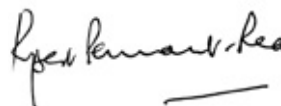
The Directors who were members of the Board at the time of approving this Directors' Report are listed on pages 24 and 25. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- 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 Board of Directors:



Andrew Formica
Chief Executive
28 February 2012



Rupert Pennant-Rea
Chairman
28 February 2012

Corporate Governance Statement

2011 was a busy year for the Board especially as a result of the Gartmore acquisition

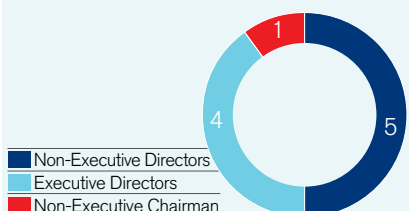
Rupert Pennant-Rea
Chairman



We embrace and are subject to high standards of corporate governance

Risk assessment and effective controls are fundamental to achieving our corporate objectives

Balance of executive and non-executive directors



Chairman's introduction

Last year was a busy time for the Board particularly because of the Gartmore acquisition: my thanks to the Non-Executive Directors for providing invaluable support and time, including attending additional meetings at short notice.

To strengthen our governance and support the growth of our business, we appointed Kevin Dolan as a Non-Executive Director with effect from 26 September 2011 and James Darkins and David Jacob as Executive Directors with effect from 4 May 2011. Mr Dolan brings additional international experience to the Board and the appointment of Messrs Darkins and Jacob strengthens the links between the Board and the business and the speed and quality of decision making. We also refreshed the membership of our Board Committees in line with good practice.

We welcome the recent recommendations and proposals on diversity. Currently, women make up 10% of the Board, 20% of our senior management and 38% of our total

workforce. The principles of equality and diversity are fundamental to our success and how we attract and retain high potential employees and to the operation of our business. Our policies, employee benefits and business practices support a diverse workforce. There is more information about diversity at Henderson elsewhere in this statement on page 31.

A description of our business model and our strategy for achieving our goals is set out on pages 2 and 3.

In the future as in the past, macroeconomic conditions and regulation will test our corporate governance and keep us all on our toes.

UK Corporate Governance Code and ASX Principles

The Directors embrace, and are subject to, the high standards of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in June 2010 (UK Code) and the Corporate Governance Principles and Recommendations with 2010 Amendments issued by the ASX Corporate Governance Council in June 2010 (ASX Principles). The UK 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. The Company's corporate governance policies can be found at www.henderson.com (our website).

The Company complied with the UK Code and the ASX Principles in 2011 except in regard to the setting and disclosure of gender diversity targets. We welcome the recent initiatives on diversity, including the focus on gender diversity on boards and in senior management. However, we believe that the setting of meaningful, achievable targets along with the associated review of selection criteria and procedures is a considerable task for any organisation, and throughout the last 12-18 months the major focus of the Board and management has been the acquisition and integration of the Gartmore business and managing the combined business as effectively as possible in volatile and depressed investment markets. This statement, together with the Report on Directors' Remuneration, describes how we applied the 'main principles' set out in the UK Code and complied with the ASX Principles. Further details can be found in the corporate governance section of our 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

Corporate Governance Statement continued

of that Act. We achieved the aims of some of those provisions, although not fully on senior executives' remuneration, as the disclosures of individuals' remuneration is limited to the four executives who are members of the Board. Disclosure of the remuneration of non-directors is not a requirement in the UK and we consider this information to be commercially sensitive. However, we have disclosed the aggregate annual remuneration of Code Staff (as defined on page 47 in the Report on Directors' Remuneration) on page 48.

The Board's structure

The Board comprises a Non-Executive Chairman, four Executive Directors and five other Non-Executive Directors. Biographical details of the Directors are set out on pages 24 and 25.

Although the Chairman, Rupert Pennant-Rea, met the independence criteria on appointment, the UK Code provides that the test of independence is not appropriate thereafter. We consider all the other Non-Executive Directors – Gerald Aherne, Kevin Dolan, 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. We have considered the criteria proposed by the UK 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. We are satisfied that the independent Directors meet a quantitative materiality threshold for independence, which is 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 (excluding the Chairman) has a majority of Directors who are independent. Tim How is the Senior Independent Director.

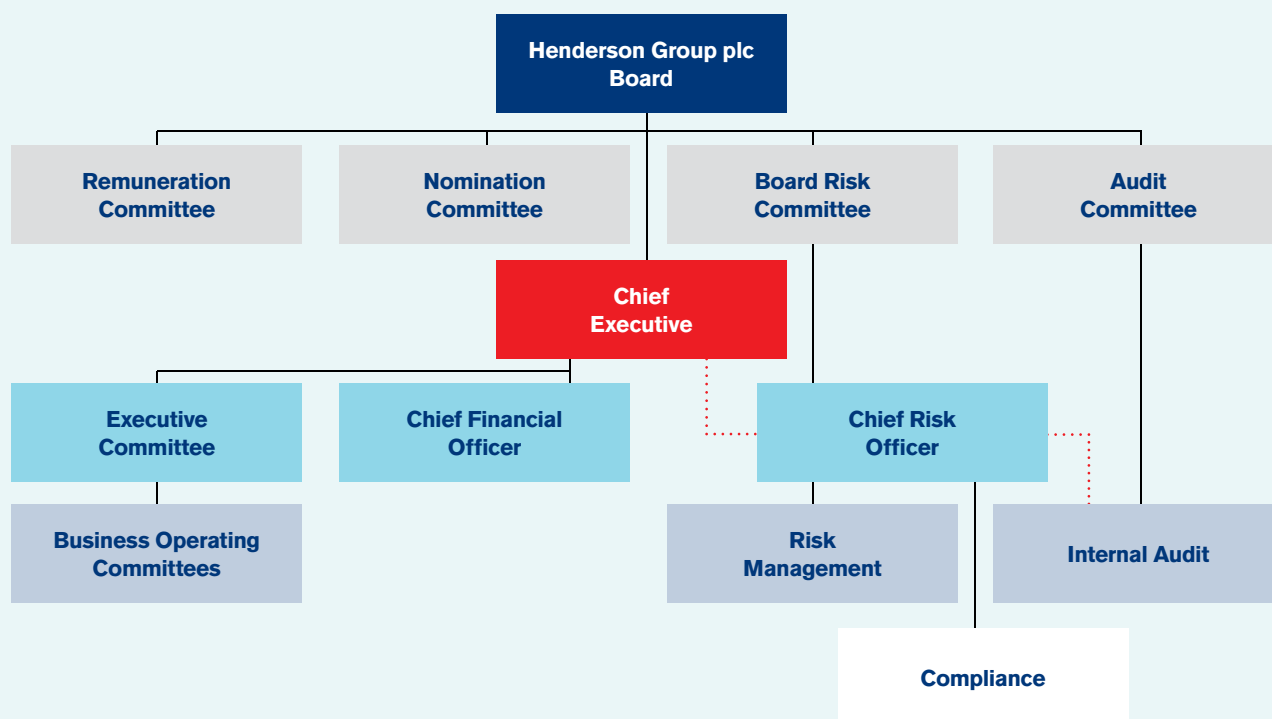
There is a division of responsibility between the Chairman, who is responsible for leading the Board and ensuring its effectiveness, and the Chief Executive who is responsible to the Board for the overall management and performance of the Group. The Chairman's other significant commitments, and changes to them during 2011, are shown in the Board of Directors section on page 24.

Non-Executive Directors are initially appointed for a fixed term, normally of three years, and any subsequent terms are considered by the Board. If a Non-Executive Director is reappointed after having served

six years, such reappointment, and any subsequent reappointment, will normally be for a period of 12 months. The remuneration of the Non-Executive Directors is shown on page 44. The terms and conditions of their appointment are on our website, as is the process for their appointment and reappointment.

At our Annual General Meeting (AGM) held on 4 May 2011, shareholders reappointed Gerald Aherne, Duncan Ferguson, Andrew Formica, Shirley Garrood, Tim How, Robert Jeens and Rupert Pennant-Rea as Directors. Our next AGM is due to take place on 2 May 2012, when all Directors will be seeking reappointment in accordance with the recommendations of the UK Code. The one exception is Gerald Aherne, who will be standing down as a Non-Executive Director at that time.

Risk management and corporate governance structure



Diversity

Our human resource policies and staff benefits aim to attract and retain a diverse and flexible workforce. In order to assist us in monitoring our progress on gender diversity, senior management review statistics on numbers and proportions of men and women in the workplace generally and broken down by: working patterns; status; length of service; turnover; region; division; and salary band.

We apply the same principles at Board level. Candidates for appointment to the Board are identified taking into account:

- the current composition of the Board, with due regard for the benefits of diversity on the Board, including gender;
- the need for independence, if necessary;
- the strategic direction and progress of the business; and
- the geographic spread and diversity of the Group.

Responsibilities and operation of the Board

The Board met 17 times in 2011, of which seven were scheduled meetings. The Board and the Remuneration Committee met in Paris in January 2011 and the Board, Remuneration Committee and Board Risk Committee met in Chicago in October. All other Board and standing Board Committee meetings were held in Ireland. The number of meetings held by the standing Committees during the year are set out elsewhere in this statement.

We are scheduled to meet at least seven times in 2012. Additional meetings will be held as required, or at the request of a Director. During 2011, the other Non-Executive Directors met the Chairman without the Executive Directors being present and this practice will continue in 2012.

We are responsible for making all key strategic, management and commercial decisions. During each meeting, Directors are given the opportunity to question and challenge any initiatives and proposals from management. The Board held two meetings dedicated to strategy, in addition to considering regular strategy updates from management during the year. Most members of the Board also attended the senior management conference held in May 2011.

To enable us, as a Board, to perform our role effectively, we are provided with the means and information necessary for us to make

Gender diversity

31 December
2011

Proportion of women on the Board	10%
Proportion of women in senior management positions	20%
Proportion of women in the Group	38%

informed decisions and to follow best corporate governance practices. In addition, the Chairman, Chief Executive and Chief Financial Officer hold agenda-setting meetings before each Board meeting to review the items of business, the likely time to be spent on each agenda item, who should present particular items and to ensure that appropriate papers are provided to us.

We receive detailed reports on the various aspects of the business and of any major issues affecting it, which includes a monthly performance report. An overview of the matters considered by the Board in 2011 is outlined on page 33.

We reviewed and approved our corporate governance policies and manual in 2011. These include, but are not limited to, an overview of the Company's corporate governance procedures, a policy on trading in the shares of the Company by Directors and employees and the Code of Conduct which sets out our values and standards. We have a Market Disclosure and Communication Policy designed to ensure compliance with our disclosure obligations and a Chief Disclosure Officer to oversee this. 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 and other corporate governance documents are on our website.

All Directors have access to the advice and services of both of 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 for them to discharge their responsibilities.

Training

To ensure that the Directors continually update their skills and knowledge, all Directors receive regular presentations on different aspects of the Group's business and on financial, legal and regulatory matters affecting our sector. For example, during 2011, the Directors received presentations which included the use of derivatives, the Bribery Act 2010, current and future trends in fund management and competitor analysis. At our meeting in Chicago, we received presentations on the US asset management landscape and key trends in the US registered funds market.

Evaluation of the Board's performance

We decided to have an external evaluation for 2011. Three candidates were selected from a number of companies. They were then invited to make presentations to the Chairman and the Senior Independent Director, following which Independent Board Evaluation (IBE) were engaged to conduct the process described below. IBE has no other connections with the Company.

IBE held interviews with each of the Directors and attended one of the scheduled Board and Committee meetings. IBE subsequently held discussions with the Board and Committee Chairmen to discuss the results and presented its recommendations to the Board.

The results of the evaluation will be considered further by the Board and the implementation of any actions will be monitored.

The performance of Andrew Formica, Chief Executive, was evaluated by the Chairman and the Remuneration Committee. The evaluation of the members of the Executive Committee (ExCo) was undertaken by the Chief Executive and the Remuneration Committee.

Treating Customers Fairly



We believe that Treating Customers Fairly (TCF), promoted by FSA is embedded within the culture and procedures of the Group. TCF, amongst 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.

Corporate Governance Statement continued

The performance evaluations were conducted in accordance with the processes disclosed on our website.

Delegations of authority

A schedule of matters reserved for approval by the Board is reviewed annually and is also on our website. The Board has granted specific delegated authorities (with financial limits approved by the Board) to the Chief Executive, the Chief Financial Officer, the other Executive Directors and senior executives in respect of financial, accounting, treasury, regulatory and other matters relating to the Group's business and these were reviewed and updated during 2011.

The delegations of authority are based on the Chief Executive's authority from the Board. The delegations cover three levels: the Chief Executive's delegations (level one), the delegations of the Chief Executive's direct reports (level two), and the delegations of matters to senior executives (level three). A list of persons to whom these three levels of delegations apply and the authority to sub-delegate is set out in these delegations.

During 2011, the Chief Executive reviewed and restructured the management team and reporting lines and created a new ExCo, consisting of his direct reports, to oversee the Group business areas.

Executive Committee

The Chief Executive along with the ExCo members 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 complies with internal policies and controls.

Other operating committees have been appointed to manage aspects of our business, which include the:

- Henderson Investment Management Operating Committee;
- Henderson Property Investment Committees and Executive Management Team;
- Credit Risk Committee;

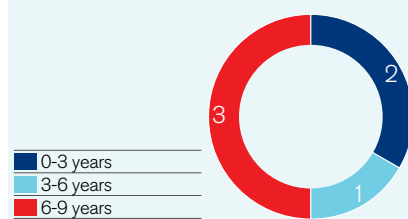
- Financial Instruments Committee;
- Market Disclosure Committee;
- Henderson Product Development Committee;
- Investment Risk Committee;
- Henderson Equity Partners Investment Committees and Henderson Private Equity Portfolio Monitoring Committees;
- Fair Value Pricing Committee;
- Henderson Hedge Fund Executive Management Committee.

Together, the above committees form part of the risk management framework that monitors and mitigates the main principal risks and uncertainties set out on pages 18 and 19.

Board Committees

We have 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 in this statement; the Chairman also attends all Committee meetings. The Committees' terms of reference are on our website. In addition to the standing Committees, a dedicated Due Diligence Committee was formed to consider specific due diligence and risks associated with the Gartmore acquisition.

Length of tenure of non-executive directors including the non-executive chairman

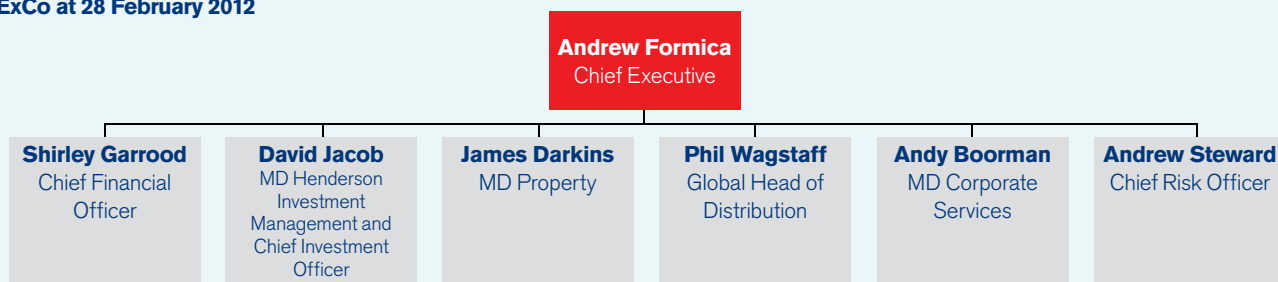


Experience of non-executive directors¹ (excluding Chairman)



1. Directors can fall into one or more categories.

ExCo at 28 February 2012



Summary of Board Business

An overview of the topics addressed by the Board in 2011

Jan 	Proposed acquisition of Gartmore	May 	Combined profit forecast including Gartmore	Aug 	Interim results
	Due diligence meeting		1Q11 Interim Management Statement		Interim dividend for 2011
	Gartmore debt		Risk appetite statement		Treating Customers Fairly
Feb 	Final dividend for 2010	Jun 	Internal Capital Adequacy Assessment Process (ICAAP)	Oct 	Strategy update
	Internal Capital Adequacy Assessment Process (ICAAP)		Treating Customers Fairly		Draft annual budget and five year forecast
	Notice of AGM		Gartmore integration update		Review of corporate governance arrangements
	Treasury mandate		Business strategy		Review of external advisers
	Treating Customers Fairly		Strategy day		Delegated authorities
Mar 	Annual report and full year results	Jul 	Executive Committee terms of reference	Nov 	Internal Capital Adequacy Assessment Process (ICAAP)
	Annual review of internal controls		Cash planning		3Q11 Interim Management Statement
	New bond issue, exchange offer and refinancing of senior debt		Trading update		2012 budget and five year strategic plan
	Share dealing policy				Trading update
	Gartmore acquisition completion				Treating Customers Fairly

The Board

	Date appointed ¹	Number of meetings ²	Meetings attended ²	Meetings attended ²
Rupert Pennant-Rea (Chairman)	01/10/2004	17	14	82%
Gerald Aherne	01/10/2004	17	13	76%
James Darkins	04/05/2011	9	7	78%
Kevin Dolan	26/09/2011	4	4	100%
Duncan Ferguson	01/07/2004	17	15	88%
Andrew Formica	05/11/2008	17	16	94%
Shirley Garrood	26/08/2009	17	16	94%
Tim How	28/11/2008	17	15	88%
David Jacob	04/05/2011	9	9	100%
Robert Jeens	29/07/2009	17	15	88%

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 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 Board Risk Committees.

2. The number of meetings represent those whilst a Director

Corporate Governance Statement continued



Audit Committee

Membership

Robert Jeens is the Chairman of the Audit Committee. The other current members are 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 UK Code and the ASX Principles. Robert Jeens has competence in accounting and auditing as required by the Disclosure and Transparency Rules. The details of the Audit Committee members are set out on pages 24 and 25. The Audit Committee met five times in 2011, all of which were scheduled meetings.

Responsibilities

The Audit Committee is responsible for overseeing the reliability and appropriateness of the Group's financial reporting, overseeing the effectiveness of the Group's system of internal controls, assessing the effectiveness of the Internal Audit function, reviewing the performance and independence of the external auditors (as well as being responsible for recommending their appointment, reappointment and removal) and reviewing the Group's arrangements in respect of whistleblowing. However, ultimate responsibility for reviewing and approving the Annual Report and Accounts and other public reports, declarations and statements remains with the Board. A description of how the Audit Committee spent its time discharging its responsibilities during 2011 is set out below.

Audit Committee

	Date appointed	Number of meetings ²	Meetings attended ²	Meetings attended ²
Robert Jeens (Chairman)	26/08/2009	5	5	100%
Tim How	11/05/2009	5	5	100%
Gerald Aherne	20/01/2010 ¹	4	4	100%
Duncan Ferguson	09/06/2005	5	5	100%
Kevin Dolan	26/09/2011 ¹	–	–	n/a

1. Member of the Audit Committee until 13 October 2011

2. Whilst a member of the Committee

Audit Committee's principal activities during 2011

Reliability and appropriateness of the Group's financial reporting

As part of the oversight of the reliability and appropriateness of the Group's financial reporting, 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. This included the review and approval of the timetable and deliverables for both the full and half-year reporting. In addition, it involved a consideration of the consolidated income statement, balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows with changes in the status of significant financial matters being highlighted.

The Audit Committee also considered and approved the methodology for determining Henderson AUM, fund flow and average net management fee rate disclosures as well as corporate tax management and effective tax rates for the Group.

As part of the Gartmore acquisition, a paper was presented which set out the accounting treatment for the Gartmore acquisition, the judgements exercised in arriving at the treatment and the disclosures required.

Internal controls

The Audit Committee received an internal controls report each quarter which contained an update from each of the Internal Audit, Legal and Compliance functions.

The Internal Audit section of the report contained an update of outstanding audits in accordance with the Internal Audit Plan and the results of audits undertaken throughout the business, together with any findings and outstanding actions. The Audit Committee also received a list of auditable activities ranked in priority of risk.

The Legal section set out a summary of significant known or potential claims against the Group.

The Compliance section set out a summary of any significant compliance issues facing the Group including priority areas relating to a combination of business as usual and Gartmore integration, the investment firm consolidation waiver, the FSCS and updates regarding contact and meetings with the FSA.

The Audit Committee also received the Money Laundering Reporting Officer's report and reviewed arrangements for whistleblowing should an employee wish to raise concerns, in confidence, about any possible improprieties.

Internal audit

The Audit Committee reviewed the status of of actions from the external effectiveness review of Internal Audit by Deloitte and Touche, along with an update on the completion of recommendations and agreeing the procedure for Internal Audit's involvement in corporate activity, such as acquisitions.

External auditors and auditor independence

The external auditors are Ernst & Young LLP. The Audit Committee reviewed and approved the external auditors' remuneration and engagement letter and reviewed the effectiveness of the external auditors during 2011 and agreed that the services provided by the external auditors were satisfactory. The audit engagement partner and senior audit team members are rotated every five years and no contractual obligations exist to restrict the choice of auditors of the Group and the Company.

The Charter of Statutory Auditor Independence was also reviewed, which requires both the Company and the external auditors to take measures to safeguard the objectivity and independence of the external auditors. The Charter takes into account the FRC Guidance on Audit Committees and was amended to take into account the changes to the Guidance which related to the provision of non-audit services. The policy includes those

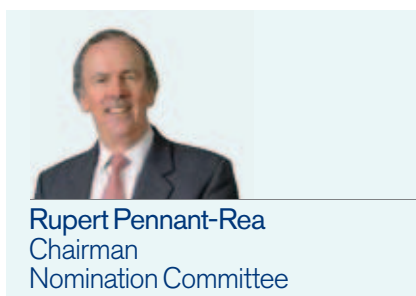
services which are deemed to be pre-approved, those which need prior approval and those which are prohibited. These measures include a prohibition regarding any non-audit services in respect of specific areas (e.g. secondments to management positions) or which could create a conflict or perceived conflict. It also includes information on the procedures for the selection, appointment and rotation of the external audit engagement partner. The Charter is on our website.

The Audit Committee 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 for a summary of the fees paid) and agreed that the provision of non-audit services by the external auditors did not compromise their objectivity or independence. The Audit Committee considered the risk and contingency plan in the event of the withdrawal of the external auditors from the market.

The external auditors will be asked to attend the Company's AGM on 2 May 2012 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 50.

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.

Outside the framework of formal meetings, Robert Jeens meets and has regular contact with the Chief Financial Officer, the Head of Finance, Head of Internal Audit, Head of Compliance and the senior engagement partner of our external auditors.

**Nomination Committee**

	Date appointed	Number of meetings ¹	Meetings attended ¹	Meetings attended ¹
Rupert Pennant-Rea (Chairman)	01/03/2005	2	2	100%
Gerald Aherne	12/05/2005	2	1	50%
Kevin Dolan	26/09/2011	1	1	100%
Duncan Ferguson	12/05/2005	2	2	100%
Tim How	28/11/2008	2	2	100%
Robert Jeens	26/08/2009	2	2	100%

1. Whilst a member of the Committee

Nomination Committee**Membership**

Rupert Pennant-Rea is the Chairman of the Nomination Committee. All the other Non-Executive Directors are members of the Nomination Committee. The Nomination Committee met twice in 2011.

Responsibilities

The Nomination Committee has responsibility for considering the size, composition, expertise and experience and balance of the Board, and the appointment and retirement of Directors and making recommendations to the Board on these matters.

Nomination Committee's principal activities during 2011

In 2011, the Nomination Committee instructed an external search consultancy to

identify suitable candidates for an additional Non-Executive Director. A list of proposed candidates was provided to the Chairman and circulated to all the Directors for comment. The Chairman and the Senior Independent Director then reviewed the list and identified a short list of candidates, comprising two women and two men, who possessed the necessary technical skills and international experience. Following an interview process, the Chairman and the Senior Independent Director agreed that Kevin Dolan was the most suitable candidate. The Chief Executive also met Kevin Dolan and concurred with the Chairman's and Senior Independent Director's assessments. The Committee considered the assessments and then recommended to the Board that Kevin Dolan be appointed as a Non-Executive Director. The Nomination Committee also considered the proposed appointments of

James Darkins and David Jacob. Meetings were held with the Chairman and the Senior Independent Director, following which a recommendation was made to appoint them to the Board as Executive Directors.

Induction programmes were arranged and held for each of the new Directors appointed to the Board in 2011. For Kevin Dolan in particular, this included receiving presentations from the business areas and meeting key individuals within the Group to ensure that he has an appropriate level of knowledge of the Group, its business, regulatory aspects and the risks facing it. James Darkins, Kevin Dolan and David Jacob also received training on the duties and responsibilities of Directors of companies listed on the LSE and ASX.

The Nomination Committee also reviewed the mix of diversity, skills and experience on the Board and succession planning for both the Board and senior executives.

Corporate Governance Statement continued



Gerald Aherne
Chairman
Remuneration Committee

Remuneration Committee

Membership

Gerald Aherne is the Chairman of the Remuneration Committee. The other current members are Kevin Dolan and Tim How. The Remuneration Committee met seven times in 2011.

Responsibilities

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's remuneration plans, policies and practices and for

Remuneration Committee

	Date appointed	Number of meetings ²	Meetings attended ²	Meetings attended ²
Gerald Aherne (Chairman)	01/10/2004	7	5	71%
Kevin Dolan	26/09/2011	2	2	100%
Duncan Ferguson	09/06/2005 ¹	6	6	100%
Tim How	28/11/2008	7	7	100%
Robert Jeens	20/01/2010 ¹	6	5	83%

1. Member of the Remuneration Committee until 13 October 2011

2. Whilst a member of the Committee

determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and other members of the ExCo. 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 ExCo 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 Remuneration Committee also agrees, maintains and

periodically reviews a list of Code Staff to ensure the correct individuals are identified and their remuneration structures are reviewed for compliance with the FSA Remuneration Code.

Remuneration Committee's principal activities during 2011

The Report on Directors' Remuneration (refer to pages 39 to 48) provides details on how the Remuneration Committee exercised its responsibilities during 2011 and also contains a statement on whether externally appointed remuneration consultants have any other connection with the Company.



Duncan Ferguson
Chairman
Board Risk Committee

Board Risk Committee

Membership

Duncan Ferguson is the Chairman of the Board Risk Committee. The other current members are Gerald Aherne, Kevin Dolan and Robert Jeens. The Board Risk Committee met four times in 2011.

Responsibilities

The Board Risk Committee is responsible for overseeing, managing and assessing the Group's key risks through a mixture of qualitative guidance and quantifiable limits. The Board 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

Board Risk Committee

	Date appointed	Number of meetings ²	Meetings attended ²	Meetings attended ²
Duncan Ferguson (Chairman)	29/06/2010	4	4	100%
Gerald Aherne	29/06/2010	4	4	100%
Kevin Dolan	26/09/2011	1	1	100%
Tim How	29/06/2010 ¹	4	4	100%
Robert Jeens	29/06/2010	4	4	100%

1. Member of the Board Risk Committee until 13 October 2011

2. Whilst a member of the Committee

capital that should be held and oversees the effectiveness of the risk management framework and procedures. Responsibilities include the monitoring of both regulatory compliance and the principal risks and uncertainties relating to the Group. It reviews the work and reports prepared by the Chief Risk Officer (CRO) and oversees the effectiveness of the CRO's role.

Board Risk Committee's principal activities during 2011

The Board Risk Committee received regular risk management reports which addressed both significant strategic and operational issues which occurred during the year and emerging risks. Reports on aggregated credit risk were provided to each meeting

which included matters such as counterparty risks and the monitoring of credit risks related to countries within the eurozone. Updates were also received regarding correspondence with the FSA on risk related matters.

Other matters considered included issues relating to the derivative risk management framework and investment risks, as well as a report on information security. An overview of the structure and operation of the Investment Risk team and, separately, the US Risk management process, was provided to and considered by the Board Risk Committee. The Board Risk Committee also approved the updated CRO's and Risk function's priorities and objectives for 2011.

Regular updates regarding the potential risks relating to the Gartmore acquisition were provided and discussed which included potential risks relating to regulatory matters, asset retention, human resources, management stretch and integration. The Board Risk Committee now considers the acquisition to be complete and all Gartmore business risks are managed through the existing business under the usual risk management framework.

The Board Risk Committee also reviewed and updated the Group's risk appetite statement and recommended its approval to the Board. Amendments were made by the Board Risk Committee to reflect the increased size, complexity and risk profile of the Group following the Gartmore acquisition. The principal risks to which we are exposed are outlined on pages 18 and 19. Monitoring of the key strategic risks was carried out via strategic risk reports which were prepared by the CRO and presented to both the ExCo and Board Risk Committee.

A reverse stress test was undertaken which required the Group to identify explicitly the scenarios most likely to render the business unviable and then assess them. As part of this exercise, an overview of possible significant events and mitigating management actions were considered. Semi-annually, the ICAAP document is updated by the Risk function in conjunction with the relevant business areas. The Board Risk Committee then reviewed and recommended its approval to the Board following approval by the ExCo.

Further information on the Board 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 below.

Risk management

The Board considers risk assessment and the existence of effective controls to be fundamental to achieving the Group's corporate objectives within an acceptable risk and reward profile. During 2011 and up to 28 February 2012, being the date on which the Annual Report and Accounts were approved, there has been in place an ongoing process for identifying, evaluating, managing and mitigating 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 during this period by this

process. A summary of the Group's risk policy can be found on our website and the key risks and their mitigation are outlined under Risk Management on pages 18 and 19.

The responsibility for managing risk lies with the ExCo. 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 resolving and managing risk and regulatory issues. Day-to-day responsibility for the management of risk is delegated to line management who work closely with the Risk function to maintain an effective system of control and oversight.

Our 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 function which monitors the operation of those controls and ensuring risks are not overlooked and by the Compliance team which monitors regulatory risks. 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 Risk Committee which include material business risks such as credit, market and operational risks and the CRO provides regular reports to the Board Risk Committee on these topics. The Risk function also maintains an incident management process and reports regularly to the ExCo.

The Board considers the scope of the activities of the Board Risk Committee and the reporting framework set out above, gives it sufficient information upon which to assess the effectiveness of the Group's system of internal controls and to assess the actual and potential risks facing the Group.

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 2011, this review covered all material controls including financial, operational, compliance controls and risk management systems. As part of its review, the Board received assurances from the Chief Executive, the Chief Financial Officer and the other Executive Directors that the statement provided on page 49 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 ExCo 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 Board Risk Committees (refer to pages 34 and 36 for a summary of the responsibilities of these Committees). Terms of reference for these Committees are available on our website.

Our system of internal controls requires line managers to confirm regularly that controls in their respective 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

Our 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

Corporate Governance Statement continued

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.

Financial reporting and going concern

The Directors have acknowledged their responsibilities in the Directors' Responsibilities Statement in relation to the Consolidated Financial Statements for the year ended 31 December 2011 (refer to page 49).

Our 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 8 to 10. The financial position of the Group, and its cash flow 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 and credit risks.

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

The Directors closely monitored the material uncertainties inherent in current and expected market conditions, the trading performance of the Group and the debt instruments issued by the Group in 2007 and 2011. Furthermore, the Directors have considered the guidance published by the FRC 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.

The Directors reviewed the points raised in an update published by the FRC in 2012, 'Responding to increased country and currency risk in financial reports' and, as a result, increased the Group's disclosure regarding foreign currency risk in note 28.4 to the Financial Statements.

After thorough examination, the Directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future, and therefore, continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Investor relations

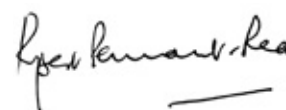
We actively engage with investors and investor bodies and welcome the opportunity to discuss their views on relevant issues. The Board also receives regular feedback from the Investor Relations team and the ExCo about investors' and analysts' views on the Group and also wider industry matters. A monthly report provides a summary of our largest shareholders, significant movements in the share register and reviews share price performance and key market and sector developments.

Our 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 available on our website. The Company's Market Disclosure and Communication and Shareholder Communication Policies, which are designed to promote effective communication with shareholders, are available on our website. We publish our financial results on both the LSE and the ASX. The 2010 Annual Report and Accounts were sent to all shareholders that had requested it and all other shareholders were notified, via post or email, that the 2010 Annual Report and Accounts are available on our website.

Certain members of the ExCo, in particular the Chief Executive and Chief Financial Officer, meet with institutional shareholders and equity analysts regularly. The largest shareholders are offered meetings with Non-Executive Directors and the Chairman met a number of them during 2011.

All shareholders were invited to the General Meeting held on 22 March 2011 where the acquisition of Gartmore was approved. Other than Gerald Aherne, all Directors were in attendance. A Circular and Notice of General Meeting (Circular) contained the formal notice of meeting and included information to assist shareholders in understanding the rationale and details of the acquisition. Both the Circular and a Prospectus relating to the issue of new shares in connection with the acquisition are on our website.

All shareholders were invited to the AGM held on 4 May 2011, held in Dublin and simultaneously broadcast to a venue in Sydney. All Directors attended the AGM. Notice of the AGM was given to shareholders and 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.



Rupert Pennant-Rea

Chairman
28 February 2012

Report on Directors' Remuneration

Gerald Aherne
Chairman
Remuneration Committee



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 shares.

Henderson Group plc is a Jersey incorporated company and therefore has no statutory requirement to prepare a Report on Directors' Remuneration. Nevertheless, we have voluntarily taken into account the requirements of the UK Companies Act 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 UK Corporate Governance Code and the ASX Principles relating to 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 2 May 2012 inviting shareholders to consider and vote on this Report.

Role, membership and responsibilities of the Remuneration Committee

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

- review and recommend to the Board the Group's remuneration protocols and HR practices, which are performance based and aligned with the Group's strategy and overall business objectives;
- determine annually the remuneration of the Chairman, the Chief Executive and the ExCo;
- approve the policy and terms of the Group's employee and executive share incentive schemes;
- approve the Group's Remuneration Policy Statement and the remuneration terms and arrangements for Code Staff in accordance with the FSA Code on Remuneration; and
- consider pay levels and employment conditions for all employees.

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

No Director or member of the ExCo is involved in any decision on their own remuneration.

Membership

The Remuneration Committee consists entirely of independent Non-Executive Directors. At the start of 2011, it consisted of Gerald Aherne (Committee Chairman), Duncan Ferguson, Tim How and Robert Jeens. Kevin Dolan joined the Committee with effect from 26 September 2011. In October 2011, as part of a broader review of the Board Committees, the composition of the Committee was changed to Gerald Aherne (Committee Chairman), Kevin Dolan and Tim How.

The Chairman and the Chief Executive may attend Committee meetings, 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. In 2011, the Committee prepared for the compliance with the FSA Code on Remuneration and other regulatory developments in remuneration policies and practices.

The Committee is supported by the Chief Financial Officer, the General Counsel, the Managing Director, Corporate Services and the CRO. The Managing Director, Corporate Services 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 ExCo which reports to the Chief Executive. The Chairman is also consulted about the remuneration of the Executive Directors.

The Remuneration Committee met seven times in 2011.

Advisers

During 2011, the Remuneration Committee received advice from external, specialist consultants (Towers Watson, PricewaterhouseCoopers (PwC) and Lane Clark & Peacock LLP) on technical aspects of remuneration. Towers Watson and PwC provided advice on a variety of remuneration matters and in particular the FSA Code on Remuneration. In addition, McLagan Partners also provide remuneration data and advice.

None of Towers Watson, Lane Clark & Peacock LLP or McLagan Partners has 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 and services to the Group on an ad hoc basis and act as auditors to certain Henderson funds but have no other connection with the Group.

Report on Directors' Remuneration continued

Policy statement

Remuneration policy

The Committee views a successful remuneration policy as one that is 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.

We have 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 and clients. 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 Code Staff.

Our 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 above a specified threshold is deferred over three years) based on business and individual performance against targets; and
- long-term incentive plans – performance-based for senior executives and certain professionals such as senior fund managers and key distribution personnel which typically vest over five years.

We also considered guidelines from the regulators and government on executive pay and remuneration and HR practices including diversity and gender. As a result, the Group has implemented several changes that strengthen the link between its remuneration policies and HR practice and the increased focus on corporate remuneration governance, these being:

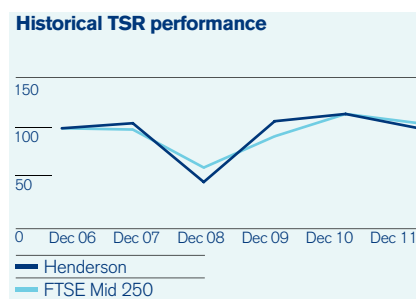
- a Group Remuneration Policy Statement that sets out the Group's remuneration policies and practice;
- the introduction of risk assessment factors into our key reward processes through liaison with the CRO, the Board Risk Committee and the Remuneration Committee when awards are made and vest;
- new rules for the Group's share plans to provide the Remuneration Committee with the authority 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 Committee also has the ability to claw back shares vested under long-term incentives plans e.g. in the case of serious personal misconduct; and

- the introduction of non-financial objectives and risk measures into the key remuneration policies and the annual employee appraisal processes. In particular in future the Long-Term Incentive Plans (LTIPs) will contain a risk and sustainability measure alongside relative TSR and processes which will enable the Remuneration Committee to identify and regularly monitor all Code Staff in respect of reward, risk management, compulsory deferral and annual appraisals.

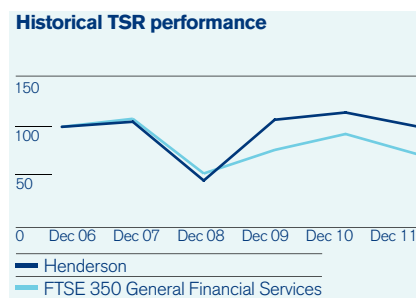
Total shareholder return performance

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 2011 ranged from a low of 95.05 pence on 4 October 2011, a peak of 173.10 pence on 1 April 2011 and closed at 102.40 pence on 31 December 2011.



Change in the value of a hypothetical £100 holding since December 2006

FTSE Mid 250 comparison based on 30 trading day average values



Change in the value of a hypothetical £100 holding since December 2006

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: Datastream.

Executive Directors' remuneration: individual elements

Overall structure

Executive Directors' remuneration comprises:

- basic salary;
- annual bonus;
- pension benefits;
- benefits in kind; and
- participation in certain Group-wide incentive schemes, such as LTIP, the Restricted Share Plan (RSP), the Sharesave scheme (SAYE), the Employee Share Ownership Plan (ESOP), the Buy As You Earn Share Plan (BAYE) and the Deferred Equity Plan (DEP).

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. The ESOP is a performance-driven voluntary deferral plan available to all employees but is not operated every year.

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 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 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.

Basic salary

Salaries are reviewed annually for each Executive Director. In 2011, the salaries of the Chief Executive and the Chief Financial Officer remained unchanged at £350,000 per annum and £300,000 per annum respectively. The salaries of the two newly appointed Executive Directors, James Darkins and David Jacob were £234,100 and £250,000 per annum respectively.

Annual bonus

At the discretion of the Committee, each Executive Director may receive a cash bonus subject to achieving performance targets set by the 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 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 2011 performance were 600% of salary for the Chief Executive (2010: 600%) and 200% of salary for the Chief Financial Officer (2010: 200%). The maximum bonus entitlement for the Managing Director, Property and the Managing Director Henderson Investment Management and Chief Investment Officer, were 300% and 500% respectively.

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

For the Executive Directors, the corporate performance targets relate to Group performance measures as set out in the table. The Group's performance measure in 2011 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 as set out in the note to the table and a report from the CRO on risk management. The 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 Remuneration. The Committee determined that annual bonuses for Executive Directors should continue to be subject to substantial deferral (which also applies to all Code Staff).

Long-term incentives

Under the LTIP, the Committee may make awards to Executive Directors up to a maximum number of ordinary shares determined by the Committee at the date of grant. Full vesting of awards is over a three to five year period and 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 relative TSR against a comparator group and the Committee must be satisfied that the Company'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 Committee also has the ability in certain cases to claw back vested awards.

The Group made awards under the LTIP to Andrew Formica, Shirley Garrood, James Darkins and David Jacob on 4 May 2011. The aggregate market value of the ordinary shares capable of being acquired under these awards at the date of award was equivalent to 460%, 215%, 206% and 242% of salary respectively.

The Committee will consider awards under the LTIP to the Executive Directors in 2012. The Committee also intends to change the LTIP performance metrics from 100% relative TSR to 95% relative TSR and 5% on risk and sustainability metrics. In determining the 5%, the Committee will take account of the non-financial metrics in the annual bonus scheme along with a report from the CRO which will cover an assessment of risk awareness and culture in the Company over the LTIP period.

2011 LTIP award

The proportion of the 2011 LTIP awards that will vest will be determined by reference to the Company's TSR over the three year period commencing 1 January 2011, 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 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.

Following changes approved by shareholders to the LTIP at the AGM in 2011, the 2011 LTIP award will vest from March 2014 to March 2016 with a dividend equivalent payment in respect of 2011 to 2014 being paid in two equal tranches on the first and second anniversary of the date of vesting in 2015 and 2016.

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 (refer to notes below) are also considered
Long-term incentives	Variable	Supports superior business performance in relation to competitor companies and aligns Executive Directors' and shareholders' interests	Relative TSR

Notes

In 2011, the Committee agreed to consider, in particular, certain 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 Audit Faculty 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.

Report on Directors' Remuneration continued

2010 LTIP award

The awards made in 2010 continue to be held, subject to the same TSR performance condition as the 2011 LTIP, over the three year period to 31 December 2012. The awards will vest in March 2013 subject to achievement of performance conditions.

2009 LTIP award

Awards made in 2009 will vest in April 2012. Based on a TSR of 107.12% over the three years 2009 to 2011 which ranked the Company fifth in the list of comparator companies and at the 84th percentile, 100% of the shares will be capable of exercise.

2008 LTIP award

2008 LTIP awards vested in February 2011. Based on a TSR of 38.68% over the prior three calendar years which ranked the Company eighth in the list of comparator companies and at the 79th percentile, 100% of the shares in the award were capable of exercise.

Shareholding requirement

The Committee has also determined that, over time, each Executive Director should be required to maintain a target shareholding in the Company, equivalent to 100% of basic salary, in order to align the interests of Executive Directors more closely with those of shareholders. Each of the Executive Directors met this requirement in 2011.

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. 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 shares via deductions from gross salary, for which the Company provides two free 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 ESOP, offered in February 2011, provided an opportunity for eligible employees to increase their ownership in the Group. Employees were able to purchase Company shares up to a set limit through the DEP and, subject to achievement of prescribed TSR and Company share price performance hurdles and continued employment over a specified period, the Company will provide matching shares for each share purchased. The Company does not intend to offer the plan in 2012.

Where employees are subject to the mandatory deferral of a portion of their annual bonus, the deferred amount is used to purchase the Company's shares or products in the DEP. The deferred shares/products are held in trust during the deferral period, three years, and are subject to forfeiture conditions.

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. As a global plan, 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 of all unexercised options. Executive Directors are not eligible to participate in the CSOP, but can retain any awards made before their appointment.

The Executive Shared Ownership Plan (ExSOP) encourages employee share ownership at middle management level. Under the ExSOP, selected employees are 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 share issuance except for an element of the BAYE and DEP which is 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%. At the 2011 AGM, shareholders approved that up to 16m matching shares from the ESOP would not count toward the calculation of this dilution limit.

Pensions

Retirement benefits are designed to be both market competitive and cost effective. HGI Group Limited is the sponsoring employer of HGPS, which has both a defined benefit section (closed to new members) and a defined contribution section. No active members of the defined benefit section of HGPS 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 in 2011 was £128,412 (2010: £122,760).

The Executive Directors participate in the non-contributory section of HGPS 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, the Managing Director, Property and the Managing Director, Henderson Investment Management and Chief Investment Officer, each receive 11.5%, again limited by the operation of the scheme earnings cap.

In 2007, the Group introduced a Self Invested Personal Pension (SIPP) that allowed UK employees to make voluntary contributions into a wide range of funds as well as giving them the ability to transfer Company shares from maturing share plans into the SIPP in a tax effective manner. The Group rebates some of the national insurance savings to employees' SIPP accounts.

The Group also has pension arrangements in place for its non-UK-based employees, which are in line with local 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 and private healthcare medical insurance. In addition, the Chief Executive and Chief Financial Officer are entitled to permanent health 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.

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 Committee. To date, it has not exercised this power. The 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' service 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.

Toby Hiscock, former Chief Financial Officer, received 208,333 shares in February 2011 in respect of a prorated award from the 2008 LTIP as part of his contractual post-termination arrangements and his adherence to restrictions post-termination agreed at the time of his departure from the Group in 2009. No further awards are due.

Chairman and other Non-Executive Directors

The remuneration of the 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 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 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 Chairman and the Audit, Remuneration and Board Risk Committee Chairmen) is £55,000, of which £5,000 is paid in the form of Company shares;
- the annual additional fee payable to the Audit, Remuneration and Board 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 £180,000 per annum, of which £20,000 is paid in the form of Company shares; and
- Tim How, the Senior Independent Director, is entitled to additional fees of £5,000 per annum.

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 £60,000 per annum with effect from 1 January 2012. The fees will next be reviewed in 2013. The additional fees for the Senior Independent Director will also increase by £5,000 to £10,000 per annum with effect from 1 January 2012. The additional fees for the Audit, Remuneration and Board Risk Committee Chairmen will remain unchanged.

The Chairman of the Remuneration Committee and the other Non-Executive Directors (excluding the Chairman) also reviewed the fees payable to the Chairman and determined that they would remain unchanged at £180,000 per annum.

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

Report on Directors' Remuneration continued

Directors' remuneration in 2011

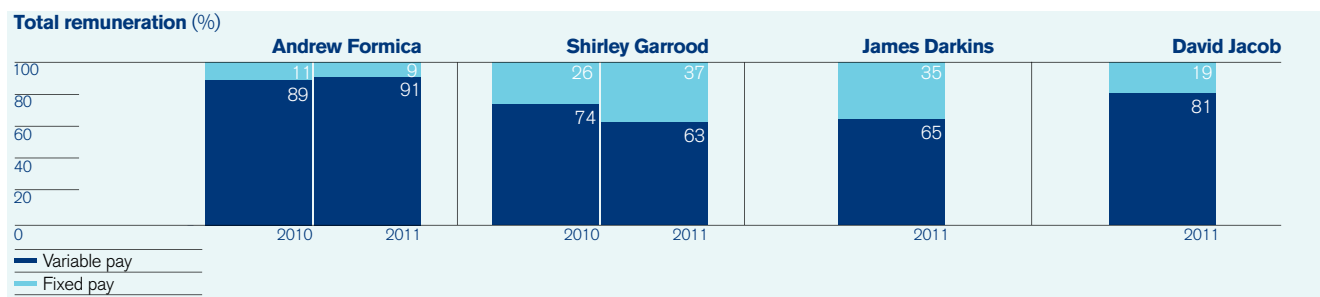
The remuneration (cash payments and benefits in kind, but not including any pension) of the Directors in respect of the period for which they were in office in the relevant year, including any remuneration in respect of subsidiary undertakings, comprised:

	Salary and fees (a) £000	Benefits award in kind (b) £000	Annual bonus before deferral (c) £000	Performance fees (d) £000	Total (a) to (d) £000	Share plan vesting £000	Other £000	2011 total £000	2010 total £000
Chairman									
R.L. Pennant-Rea (Chairman and Non-Executive Director)	180	–	–	–	180	–	–	180	170
Executive Directors									
A.J. Formica (Chief Executive)	350	1	1,500	–	1,851	2,160	13	4,024	3,461
S.J. Garrood (Chief Financial Officer)	300	2	450	–	752	93	15	860	1,219
J.N.B. Darkins (Managing Director, Property) (appointed 04/05/2011)	156	1	266	5	428	37	12	477	–
D.J. Jacob (Managing Director, Henderson Investment Management and Chief Investment Officer) (appointed 04/05/2011)	166	1	665	33	865	47	10	922	–
Other Non-Executive Directors									
G.P. Aherne	75	–	–	–	75	–	–	75	68
K.C. Dolan (appointed 26/09/2011)	35	–	–	–	35	–	–	35	–
D.G.R. Ferguson	77	–	–	–	77	–	–	77	58
T.F. How	60	–	–	–	60	–	–	60	53
R.C.H. Jeens	75	–	–	–	75	–	–	75	68
Total	1,474	5	2,881	38	4,398	2,337	50	6,785	5,097

Notes

- Annual bonus awards paid to the Executive Directors are subject to the same Company mandatory deferral terms that apply to other employees. In respect of the Executive Directors, this is approximately 40% of the annual bonus award and performance fee award. The annual bonus shown above is the amount before deferral. The annual bonus and performance fee awards for James Darkins and David Jacob are prorated annual amounts to reflect their period of Executive Director office.
- 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 Executive Directors is for the calendar year 2011 or from date of appointment if after 1 January. James Darkins' and David Jacob's remuneration reflects their remuneration from their date of appointment, 4 May 2011.
- 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 based on the taxable value for the 2010/2011 tax year.
- The payment under Other in the table above relates to pension contribution including any employer contribution in respect of a SIPP.
- The Share Plan vesting figures in the table above relate to the 2008 Sharesave scheme, the second tranche of the Chief Executive 2008 RSP award, the vesting of mandatory (DEP) and voluntary (ESOP) deferred matching shares and the gross value of dividends paid on company share plans eligible for dividend payment. The figures for Andrew Formica and Shirley Garrood exclude the 2008 LTIP vesting because they have not exercised the vested award. In respect of James Darkins and David Jacob, the 2008 LTIP vested prior to their Executive Director appointment. David Jacob's award vested automatically. James Darkins has not exercised the vested award.
- Remuneration of Non-Executive Directors is for the calendar year 2011 or from date of appointment if after 1 January. Kevin Dolan's remuneration reflects his remuneration from his date of appointment, 26 September 2011. It also includes £22,153 paid by way of consultancy fees for the period from 1 May 2011 to 25 September 2011.
- The 2011 fee for Duncan Ferguson includes £2,500 owing from 2010 in respect of the delayed purchase of Company shares.

The graphs below illustrate the fixed and variable elements of the Executive Directors' remuneration for the last two years. The amounts for the Chief Executive and the Chief Financial Officer reflect their full remuneration for 2010 and 2011. The 2011 remuneration for the Managing Director, Property, and Managing Director, Henderson Investment Management and Chief Investment Officer, covers the period from 4 May 2011 to 31 December 2011.



Pensions and share interests

Directors' pension entitlements

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

	Service at 31 December 2011 (includes pre-Executive Director service)	Pension contribution for period to 31 December 2011 £000
A.J. Formica (Chief Executive)	18 years 10 months	13
S.J. Garrood (Chief Financial Officer)	10 years 8 months	15
J.N.B. Darkins (Managing Director, Property) (appointed 04/05/2011)	13 years 8 months	12
D.J. Jacob (Managing Director, Henderson Investment Management and Chief Investment Officer) (appointed 04/05/2011)	7 years 0 months	10

Note: the pension contribution in 2011 for James Darkins and David Jacob each include a SIPP contribution.

Report on Directors' Remuneration continued

Directors' share interests

As at 28 February 2012, 31 December 2011 and 31 December 2010, the Directors had the following beneficial interests in shares in the Company:

	28 February 2012	31 December 2011	31 December 2010 (or date of appointment)
Chairman			
R.L. Pennant-Rea	57,655	57,655	51,333
Executive Directors			
A.J. Formica (Chief Executive)	4,286,673	4,286,673	3,498,822
S.J. Garrod (Chief Financial Officer)	964,890	964,890	1,004,235
J.N.B. Darkins (Managing Director, Property) (appointed 04/05/2011)	534,576	534,576	485,822
D.J. Jacob (Managing Director, Henderson Investment Management and Chief Investment Officer) (appointed 04/05/2011)	2,541,198	2,541,198	2,514,614
Other Non-Executive Directors			
G.P. Aherne	13,043	13,043	9,571
K.C. Dolan (appointed 26/09/2011)	–	–	–
D.G.R. Ferguson	18,028	18,028	13,688
T.F. How	7,457	7,457	5,898
R.C.H. Jeens	9,258	9,258	5,845
Total	8,432,778	8,432,778	7,589,828

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 exclude any unvested awards or vested but unexercised 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	Shirley Garrood	James Darkins (from 04/05/2011)	David Jacob (from 04/05/2011)
Interests at 31 December 2010 or at date of appointment				
SAYE	15,721	15,721	7,500	–
BAYE	39,989	39,989	43,266	41,971
DEP and ESOP	351,537	208,301	95,420	272,750
CSOP	–	41,000	41,000	41,000
RSP	2,456,138	–	–	1,148,104
Maximum LTIP award	3,425,000	1,500,000	1,575,000	1,675,000
Awards made, vested or lapsed during 2011				
SAYE vested	–	–	(7,500)	–
BAYE awarded	4,334	4,334	3,404	3,404
DEP and ESOP vested	(351,537)	(208,301)	(55,947)	(55,384)
DEP and ESOP awarded	615,812	165,899	87,106	192,133
RSP vested	(1,228,069)	–	–	–
LTIP vested but not exercised	(175,000)	(175,000)	–	–
Maximum LTIP award	1,000,000	400,000	–	–
Interests at 31 December 2011				
SAYE	15,721	15,721	–	–
BAYE	44,323	44,323	46,670	45,375
DEP and ESOP	615,812	165,899	126,579	409,499
CSOP	–	41,000	41,000	41,000
RSP	1,228,069	–	–	1,148,104
Maximum LTIP award	4,425,000	1,900,000	1,575,000	1,675,000

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 SAYE relates to the 2008 SAYE.
- The 2008 LTIP vested in February 2011. The awards for Andrew Formica (175,000) and Shirley Garrood (175,000) vested but were not exercised and remain under trust. The award for James Darkins (175,000) vested prior to his appointment as an Executive Director but was not exercised and remains in trust. The award for David Jacob (175,000 shares) vested automatically prior to his appointment as an Executive Director.
- Maximum LTIP award – this number reflects the number of shares that could vest in the future plus awards that have vested but have not been exercised. 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 awards to Shirley Garrood, James Darkins and David Jacob were in respect of previous roles prior to their appointment as Executive Directors.

FSA Code on Remuneration

The FSA implemented its new Code on Remuneration (Code) with effect from 1 January 2011.

Under the Code, the Remuneration Committee must report annually on the remuneration policy and practice for employees termed Code Staff. Code Staff are "employees who perform a significant influence function, senior management and risk takers whose professional activities could have a material impact on a firm's risk profile".

Code Staff are defined with reference to managerial responsibility to influence the firm's overall risk profile. At the discretion of the Committee, other employees may be included as Code Staff if they consider that their role has a material impact on the firm's risk profile. An annual review of the firm's risk profile is conducted in order to allow the Remuneration Committee to determine the Code Staff population and a record is kept by HR. The Committee also takes advice from the CRO and Chairman of the Board Risk Committee.

Henderson Group's Code Staff are defined as the Executive Directors, other members of the ExCo and other employees performing FSA Significant Influence Functions (SIFs).

Report on Directors' Remuneration continued

As at 31 December 2011, 20 employees were identified as being Code Staff whose roles are:

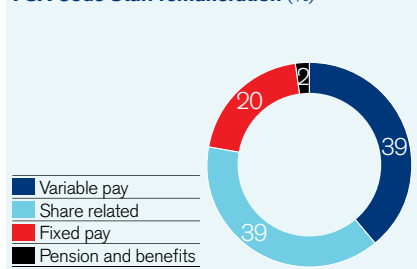
- Executive Directors (Chief Executive, Chief Financial Officer, Managing Director, Property and Managing Director, Henderson Investment Management and Chief Investment Officer);
- ExCo members (Managing Director, Corporate Services and Chief Risk Officer); and
- SIFs (General Counsel, Chief Operating Officer, Managing Director and Chief Investment Officer, Property, Managing Director, Private Equity and the Heads of Equities, Fixed Income, Distribution, Internal Audit, Compliance, Asia, North America and Group Finance).

The aggregate annual remuneration of the Code Staff in respect of 2011 was £20.2m. This is made up of fixed pay, variable pay, non-contributory pension and benefits in kind and share plan related remuneration.

The structure of the remuneration packages for Code Staff is designed to support the achievement of the same key measures as for Executive Directors (as set out on page 41) and to ensure that Code Staff pay complies with the Board's remuneration policy (as described on pages 39 and 40).

The chart below gives more detail on the aggregate remuneration. Fixed pay comprises annual basic salary and car allowance. Variable pay comprises discretionary gross annual bonus, performance fees, transaction fees and project bonuses. Pension and benefits comprises company employer pension contribution and benefits in kind. Shares comprise the gross gain (before tax and social security) on executive and employee share plans awarded in previous years that vested and were exercised in 2011 and in addition, the value of dividends paid on share plans whilst under trust. A fuller description of annual remuneration is shown on pages 41 and 42.

FSA Code Staff remuneration (%)



In line with the Company's mandatory deferral policy approximately one third of the aggregate short-term incentive awards i.e. annual bonus awards and performance fee awards, is deferred for three years. Henderson's Group's deferral policy on short and long-term incentives fully complies with the requirements for Tier four firms as set out in the Code.

Executive long-term incentive awards in the form of shares and options made to Code Staff in 2011 totalled £2.9m. This represents the expected value of awards at vesting, over the next three to five years, dependent upon the achievement of performance hurdles.

Code Staff can elect within the scheme rules to defer the exercise of executive share plan awards once they have vested. This means that the share related element of their aggregate remuneration could vary year by year.

The Report on Directors' Remuneration sets out the Remuneration Committee's responsibilities and our remuneration policy in respect of Code Staff.

Additionally, the remuneration of the CRO and the Head of Internal Audit is determined by the Chairman of the Board Risk and Audit Committees respectively. These Committees also review and oversee remuneration paid to other senior employees in risk and assurance functions.

Signed on behalf of the Board

Gerald Aherne

Chairman of the Remuneration Committee

28 February 2012

Directors' Responsibilities Statement in relation to the financial statements

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 IFRS.

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, 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 or loss of the Group and Company for the year ended 31 December 2011;
- 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 2011 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
28 February 2012



Shirley Garrood
Chief Financial Officer
28 February 2012

Independent Auditors' Report to the members of Henderson Group plc

We have audited the Consolidated and Company financial statements of Henderson Group plc for the year ended 31 December 2011, 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, the Company Statement of Cash Flows and the related notes 1 to 35 (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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 49, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of the Group's profit and the Company's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

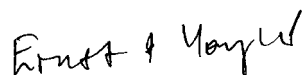
We have nothing to report in respect of the following:

Under the Companies (Jersey) Law 1991 we are required 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 UK Corporate Governance Code for our review.



Ratan Engineer
for and on behalf of Ernst & Young LLP
London
28 February 2012

Financial Statements

Financially sound and stable

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Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Income			
Gross fee income and commissions	3	682.8	487.9
Finance income	3	3.3	0.8
Gross income		686.1	488.7
Commissions and fees payable	3	(206.0)	(125.8)
Total income		480.1	362.9
Expenses			
Operating expenses	4.1	(300.7)	(250.3)
Depreciation		(3.0)	(3.2)
Total expenses before finance expenses		(303.7)	(253.5)
Finance expenses	6	(17.2)	(8.7)
Total expenses		(320.9)	(262.2)
Underlying profit before tax		159.2	100.7
Intangible amortisation	13	(41.7)	(11.6)
Void property finance charge	22	(2.1)	(2.1)
Gartmore related employee share awards	5.3	(33.2)	–
Recurring profit before tax		82.2	87.0
Non-recurring items	7	(69.2)	(10.5)
Profit before tax		13.0	76.5
Tax on recurring profit		(14.2)	(16.1)
Tax on non-recurring items	7	16.2	0.6
Non-recurring tax	7	18.9	16.4
Total tax	8	20.9	0.9
Profit after tax		33.9	77.4
Attributable to:			
Equity holders of the parent		34.0	77.9
Non-controlling interests		(0.1)	(0.5)
		33.9	77.4
Dividends			
Dividends declared and charged to equity during the year	11	69.9	49.0
Dividends proposed	11	55.4	38.8
Earnings per share			
Basic	9.2.2	3.6p	9.9p
Diluted	9.2.2	3.4p	9.2p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Profit after tax		33.9	77.4
Other comprehensive income			
Exchange differences on translation of foreign operations		0.2	0.3
Available-for-sale financial assets:			
Net gains on revaluation		5.5	3.0
Tax effect of available-for-sale financial assets movements	8	(0.2)	(0.6)
Translation reserve transfer on impairment		–	(0.3)
Actuarial gains:			
Actuarial gains on defined benefit pension schemes	21	41.6	14.8
Actuarial gains on post-retirement medical scheme		0.1	0.2
Tax effect of actuarial gains	8	–	(3.9)
Other comprehensive income after tax		47.2	13.5
Total comprehensive income after tax		81.1	90.9
Attributable to:			
Equity holders of the parent		81.2	91.4
Non-controlling interests		(0.1)	(0.5)
		81.1	90.9

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Intangible assets	13	765.1	345.0
Investments accounted for using the equity method	14.2	3.7	6.8
Plant and equipment	15	19.7	21.2
Retirement benefit assets	21	190.9	112.5
Deferred tax assets	23	45.3	30.3
Deferred acquisition and commission costs	17	71.4	58.3
		1,096.1	574.1
Current assets			
Available-for-sale financial assets	16	54.3	46.6
Financial assets at fair value through profit or loss	16	10.5	1.2
Current tax asset		3.9	–
Trade and other receivables	18	168.3	141.6
Deferred acquisition and commission costs	17	83.3	55.3
Cash and cash equivalents	19.1	273.9	176.6
		594.2	421.3
Total assets		1,690.3	995.4
Non-current liabilities			
Debt instruments in issue	20	148.0	179.1
Trade and other payables	24	2.7	–
Retirement benefit obligations	21	6.5	6.2
Provisions	22	18.7	25.3
Deferred tax liabilities	23	88.5	50.1
Deferred income		72.8	58.4
		337.2	319.1
Current liabilities			
Debt instruments in issue	20	143.4	–
Trade and other payables	24	303.3	222.0
Provisions	22	20.7	27.4
Deferred income		85.4	56.3
Current tax liabilities		12.9	15.7
		565.7	321.4
Total liabilities		902.9	640.5
Net assets		787.4	354.9
Capital and reserves			
Share capital	25.2	137.2	104.2
Share premium		679.0	261.0
Own shares held		(115.6)	(52.4)
Translation reserve		6.4	6.2
Revaluation reserve		10.5	5.0
Profit and loss reserve		69.5	30.4
Shareholders' equity		787.0	354.4
Non-controlling interests	27	0.4	0.5
Total equity		787.4	354.9

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2012. They were signed on its behalf by:



Rupert Pennant-Rea
Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	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 2010	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 share schemes	1.1	10.3	(9.1)	–	–	(1.2)	–	1.1
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
Total comprehensive income after tax	–	–	–	0.2	5.5	75.5	(0.1)	81.1
Dividends paid to equity shareholders	–	–	–	–	–	(69.9)	–	(69.9)
Purchase of own shares	–	–	(24.5)	–	–	–	–	(24.5)
Issue of shares for Gartmore acquisition	30.3	389.7	(70.0)	–	–	–	–	350.0
Vesting of share schemes	–	–	57.4	–	–	(57.4)	–	–
Share allotment	0.1	1.0	–	–	–	–	–	1.1
Share issue costs	–	(0.1)	–	–	–	–	–	(0.1)
Issue of shares for share schemes	2.6	27.4	(26.1)	–	–	(1.6)	–	2.3
Fair value of share-based payment awards exchanged	–	–	–	–	–	15.4	–	15.4
Movement in equity-settled share scheme expenses	–	–	–	–	–	54.0	–	54.0
Tax movement on share scheme expenses	–	–	–	–	–	(0.4)	–	(0.4)
Recognition of unclaimed capital distributions	–	–	–	–	–	23.5	–	23.5
At 31 December 2011	137.2	679.0	(115.6)	6.4	10.5	69.5	0.4	787.4

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Profit before tax		13.0	76.5
Adjustments to reconcile profit before tax to net cash flows from operating activities:			
– debt instrument interest expense	6	16.0	8.5
– financing arrangement fees		3.6	–
– share-based payment charges	10.2	23.9	18.0
– Gartmore related employee share awards charge	10.2	30.1	–
– intangible amortisation	13	41.7	11.6
– computer software disposal	13	–	0.9
– goodwill impairment	13	–	8.7
– share of profit of associates and joint ventures	14.2	(0.7)	(2.0)
– impairment of associate		0.3	–
– plant and equipment depreciation	15	3.3	3.2
– available-for-sale financial assets impairment		–	1.8
– loss/(gain) on disposal of available-for-sale financial assets		0.5	(0.1)
– net deferred acquisition and commission costs and deferred income amortisation		(5.6)	0.1
– contributions to the Henderson Group Pension Scheme in excess of costs recognised		(6.8)	(7.5)
– New Star void property provision release	22	(6.5)	–
– Towry Law International provision release		–	(5.8)
– other provisions releases	22	(0.5)	(0.1)
– void properties finance charge	22	2.1	2.1
Cash flows from operating activities before changes in operating assets and liabilities		114.4	115.9
Changes in operating assets and liabilities	19.2	(11.0)	16.5
Net tax (paid)/received		(12.8)	1.8
Net cash flows from operating activities		90.6	134.2
Cash flows from investing activities			
Acquisition of subsidiaries, including cash acquired		200.8	–
Proceeds from sale of associates and joint ventures		15.9	–
Proceeds from sale of available-for-sale financial assets		13.6	9.7
Dividends from associates and distributions from joint ventures		4.4	1.8
Purchases of:			
– available-for-sale financial assets		(7.2)	(12.4)
– plant and equipment	15	(1.4)	(1.1)
– intangible assets	13	(0.2)	–
– interests in associates and joint ventures		–	(0.2)
Net cash flows from investing activities		225.9	(2.2)
Cash flows from financing activities			
Proceeds from issue of shares		2.1	0.2
Purchase of own shares		(24.5)	(13.5)
Dividends paid to equity shareholders	11	(69.9)	(49.0)
Interest paid on debt instruments in issue		(15.5)	(11.4)
Recognition of unclaimed capital distributions		23.5	–
Financing arrangement fees		(3.6)	–
Debt issue costs		(2.1)	–
Net proceeds from issue of 2016 Notes		116.7	–
Repayment of Gartmore borrowings		(245.4)	–
Net cash flows from financing activities		(218.7)	(73.7)
Effects of exchange rate changes		(0.5)	(0.7)
Net increase in cash and cash equivalents		97.3	57.6
Cash and cash equivalents at beginning of year		176.6	119.0
Cash and cash equivalents at end of year	19.1	273.9	176.6

Company Income Statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Administration expenses		(1.7)	(1.1)
Total expenses before finance expenses		(1.7)	(1.1)
Finance expenses	6	(2.1)	–
Loss before tax		(3.8)	(1.1)
Tax	8	–	–
Loss after tax		(3.8)	(1.1)

Company Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 £m	2010 £m
Loss after tax	(3.8)	(1.1)
Total comprehensive expense after tax	(3.8)	(1.1)

Company Statement of Financial Position

As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Investment in subsidiaries	14.1	934.0	460.7
		934.0	460.7
Current assets			
Trade and other receivables	18	1.6	0.1
Financial assets at fair value through profit or loss		7.4	–
Cash and cash equivalents	19.1	0.1	0.1
		9.1	0.2
Total assets		943.1	460.9
Current liabilities			
Trade and other payables	24	91.2	3.3
Total liabilities		91.2	3.3
Net assets		851.9	457.6
Capital and reserves			
Share capital	25.2	137.2	104.2
Share premium		679.0	261.0
Own shares held		(115.6)	(52.4)
Profit and loss reserve		151.3	144.8
Total equity		851.9	457.6

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2012. They were signed on its behalf by:



Rupert Pennant-Rea
Chairman

Company Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital £m	Share premium £m	Own shares held £m	Profit and loss reserve £m	Total equity £m
At 1 January 2010	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 share schemes	1.1	10.3	(9.1)	(1.2)	1.1
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
Total comprehensive expense after tax	–	–	–	(3.8)	(3.8)
Dividends paid to equity shareholders	–	–	–	(0.1)	(0.1)
Purchase of own shares	–	–	(24.5)	–	(24.5)
Issue of shares for Gartmore acquisition	30.3	389.7	(70.0)	–	350.0
Vesting of share schemes	–	–	57.4	(57.4)	–
Share allotment	0.1	1.0	–	–	1.1
Issue of shares for share schemes	2.6	27.4	(26.1)	(1.6)	2.3
Share issue costs	–	(0.1)	–	–	(0.1)
Fair value of share-based payment awards exchanged	–	–	–	15.4	15.4
Movement in equity-settled share scheme expenses	–	–	–	54.0	54.0
At 31 December 2011	137.2	679.0	(115.6)	151.3	851.9

Company Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Loss before tax		(3.8)	(1.1)
Changes in operating assets and liabilities	19.2	26.3	13.7
Net cash flows from operating activities		22.5	12.6
Cash flows from financing activities			
Proceeds from issue of shares		2.1	0.2
Purchase of own shares		(24.5)	(13.5)
Dividends paid to equity shareholders		(0.1)	–
Net cash flows from financing activities		(22.5)	(13.3)
Net decrease in cash and cash equivalents		–	(0.7)
Cash and cash equivalents at beginning of year		0.1	0.8
Cash and cash equivalents at end of year	19.1	0.1	0.1

Notes to the Financial Statements

Group and Company

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

The Group and Company financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 28 February 2012 and the respective Statements of Financial Position were signed on the Board's behalf by the Chairman, 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 significant accounting policies adopted by the Group and by the Company are set out in note 2.1.

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 GBP 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, being the date on which the Group obtains control, and continue to be consolidated until the date that the control ceases. Non-controlling interests represent the equity interests in subsidiaries not wholly 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. The Group's investment 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 of accounting.

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 accrues 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 investment in each product on which initial fees and 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 the policy set out under financial instruments on page 61.

Operating leases

All leases are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated 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 Consolidated Statement of Financial Position, net of any taxes that would be deducted at source. 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, to the extent these are recognised, are included in the Consolidated Statement of Comprehensive Income in the accounting period in which they occur, net of any taxes that would be deducted at source. Normal contributions to the defined contribution scheme are expensed in the Consolidated 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.

Notes to the Financial Statements

Group and Company continued

2. Accounting policies continued

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 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. Based on the Group's estimate, the expected life of the awards used in the determination of fair value is adjusted for 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 Consolidated Income Statement.

Income 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 Consolidated Statement of Comprehensive Income is also recognised in that statement and not in the Consolidated Income Statement.

Sales taxes

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 tax authority, is included separately in receivables or payables in the Consolidated 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 a risk adjusted discount rate based on the Group's post-tax weighted average cost of capital. Where the value in use is less than the carrying amount, an impairment is recognised. Where goodwill forms part of an entity or sub-group and the entity or sub-group or part thereof is disposed of, the goodwill associated with the entity or sub-group disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Any impairment is recognised immediately through the Consolidated Income Statement and cannot 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 between three and 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 Consolidated 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 asset, is included in the Consolidated 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 or period of ownership, if shorter.

Deferred acquisition and commission costs

Incremental acquisition costs incurred in obtaining investment management business 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 from matching revenues from related contracts. At the end of each accounting period, deferred acquisition and commission costs are reviewed for recoverability against future revenues 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 an 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 based on the

Group's post-tax weighted average cost of capital.

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 Consolidated Income Statement.

Financial instruments

Financial assets and liabilities are recognised in the Consolidated 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 Consolidated 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 and investments in the Group's fund products on behalf of employee benefit 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 Consolidated 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 Consolidated Statement of Comprehensive Income. When an asset is disposed of, the cumulative changes in fair value, previously recognised in the Consolidated Statement of Comprehensive Income, are taken to the Consolidated 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 sale 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 Consolidated Statement of Comprehensive Income in respect of cumulative changes in fair value, are taken to the Consolidated 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. 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 government securities or investments in money market instruments with a maturity date of three months or less.

Financial liabilities

Financial liabilities 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.

Notes to the Financial Statements

Group and Company continued

2. Accounting policies continued

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 Consolidated Income Statement. The change in the fair value of the hedged item, attributable to the risk being hedged, is also recognised in the Consolidated Income Statement, offsetting the fair value changes arising on the designated hedge instrument.

Fair value estimation

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

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 Consolidated Income Statement, except for available-for-sale financial assets where the unhedged changes in fair value are recognised in the Consolidated 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 on 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 Consolidated 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 60, 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 at each reporting date 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 future taxable profits will be available against which the losses can be utilised. Significant judgement is required by management in determining 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 Consolidated 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 59.

Consolidation of seed investments

From time to time, the Group provides seed capital on the launch of its products, such as UCITSs, 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 Investment Management products and between three and seven years for Private Equity and Property funds. 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 warrant accounting for them using the equity method or consolidating them in the Group's financial statements.

IFRS 9 Financial Instruments proposes revised measurement and classification criteria for financial assets. This standard has a mandatory effective date in 2015.

The Group is assessing the impact of the above standards on the Group's future 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. The Group has also adopted any IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011. There were no new standards effective for the current year which had a material impact on the Group.

2.4 Future changes in accounting policies

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

IFRS 10 Consolidated Financial Statements defines the principle of control, and establishes control as the basis for consolidation in the preparation of consolidated financial statements. This standard has a mandatory effective date in 2013.

IFRS 11 Joint Arrangements states that when deciding how to account for joint ventures, the focus is on rights and obligations. This standard has a mandatory effective date in 2013.

IFRS 12 Disclosure of Involvement with Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, such as joint arrangements, associates and other off balance sheet vehicles. This standard has a mandatory effective date in 2013.

Notes to the Financial Statements

Group and Company continued

3. Income

Group

	2011 £m	2010 £m
Gross fee income and commissions		
Gross fee income	599.3	438.3
Amortisation of deferred income	83.5	49.6
	682.8	487.9
Finance income		
Interest on cash and cash equivalents	2.0	1.5
Net investment income from, and gains and (losses) on, available-for-sale financial assets	1.3	(0.7)
Net gains/(losses) arising on derivatives in a designated fair value hedge accounting relationship	0.8	(1.1)
Net (losses)/gains arising on adjustment for hedged items in a designated fair value hedge accounting relationship	(0.8)	1.1
	3.3	0.8
Gross income	686.1	488.7
Commissions and fees payable		
Commissions and fees payable	(128.2)	(75.9)
Amortisation of deferred acquisition and commission costs	(77.8)	(49.9)
	(206.0)	(125.8)
Total income	480.1	362.9

4. Expenses

4.1 Operating expenses

Group

	Note	2011 £m	2010 £m
Employee compensation and benefits	5.2	199.9	161.1
Investment administration		28.1	23.3
Information technology		14.0	12.7
Operating leases		9.0	8.3
Office expenses		7.4	7.9
Foreign exchange losses/(gains)		0.2	(1.6)
Other expenses		42.1	38.6
Total operating expenses		300.7	250.3

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

4.2 Auditors' remuneration

Group and Company

	2011 £m	2010 £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	0.9	0.6
– other services pursuant to legislation	0.4	0.3
– other services	–	0.2
Total fees	1.6	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 2011 consolidated financial statements are fees of £30,000 (2010: £30,000) for the audit of the Company's 2011 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	
	2011 no.	2010 no.	2011 no.	2010 no.
Average number of employees	1,043	941	3	3

The total number of full-time employees (excluding those working on capitalised projects) at 31 December 2011 was 1,060 (2010: 965) for the Group and three (2010: three) for the Company.

5.2 Analysis of employee compensation and benefits expense

Employee compensation and benefits expense comprises the following:

		Group		Company	
	Note	2011 £m	2010 £m	2011 £m	2010 £m
Salaries, wages and bonuses		165.0	135.3	0.8	0.5
Share-based payments		22.4	14.2	–	–
Social security costs		10.8	8.9	0.1	0.2
Pension service cost	21	1.7	2.7	–	–
Total employee compensation and benefits expense		199.9	161.1	0.9	0.7

5.3 Gartmore related employee share awards

The £33.2m charge represents the post-acquisition share-based payment charge for awards to Gartmore employees originally made in 2010 and exchanged into Henderson Group plc shares upon acquisition on the same terms as the original awards.

6. Finance expenses

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Debt instrument interest	16.0	8.5	–	–
Bank facility fees	1.2	0.2	2.1	–
Total finance expenses	17.2	8.7	2.1	–

Included in the Company's bank facility fees are £1.2m of expenses to ensure adequate capital was available to complete the acquisition of Gartmore. These deal related costs are included in non-recurring items (refer to note 7).

An interest rate swap was entered into at the time of issuing the 2012 Notes 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 2011, the impact of the amortisation of the profit on unwinding the swap is a reduction in finance expenses of £2.7m (2010: £3.1m).

7. Non-recurring items

Group

The non-recurring items recorded in the Consolidated Income Statement comprise the following:

	2011 £m	2010 £m
Gartmore integration costs	(69.7)	–
Restructuring costs	(6.0)	–
New Star void property provision release	6.5	–
FSCS interim levy	–	(7.6)
Goodwill impairment	–	(8.7)
Towry Law International provision release	–	5.8
Non-recurring items before tax	(69.2)	(10.5)
Tax on non-recurring items	16.2	0.6
Non-recurring tax	18.9	16.4
Non-recurring items after tax	(34.1)	6.5

Notes to the Financial Statements

Group and Company continued

7. Non-recurring items continued

2011

Gartmore integration costs

On 4 April 2011, the Group's acquisition of Gartmore was completed. In relation to the acquisition and integration of Gartmore, costs of £69.7m before tax have been incurred during the period. These costs mainly relate to staff related expenses, legal and professional fees, transition of outsourced retail and investment operations, office relocation and reorganisation and fund mergers.

Restructuring costs

In response to the market downturn in the second half of 2011, the Group has restructured certain parts of its business, incurring staff related costs of £6.0m.

New Star void property provision release

A void property provision recognised on the acquisition of New Star in 2009 has been reassessed resulting in a release of £6.5m.

Non-recurring tax

Following the acquisition of Gartmore, the Group reassessed the potential utilisation of previously unrecognised tax assets and tax liabilities recognised by Gartmore in the first quarter of 2011. Consequently a deferred tax asset of £14.8m has been recognised in respect of the expected utilisation of these assets against future taxable profits and £4.1m of Gartmore tax liabilities have been released.

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 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, was 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.

8. Tax

Tax recognised in the income statement

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Current tax:				
– charge for the year	5.9	16.6	–	–
– prior periods adjustments	(2.1)	(14.8)	–	–
Deferred tax:				
– credit for the year	(23.4)	(0.5)	–	–
– prior periods adjustments	(1.3)	(2.2)	–	–
Total tax credited to the income statement	(20.9)	(0.9)	–	–

Tax recognised in the statement of comprehensive income

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred tax in relation to available-for-sale financial assets movements	0.2	0.6	–	–
Deferred tax in relation to actuarial gains	–	3.9	–	–
Total tax charged to the statement of comprehensive income	0.2	4.5	–	–

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

	2011 £m	2010 £m
Profit before tax	13.0	76.5
Tax charge at the UK corporation tax rate of 26.5% (2010: 28.0%)	3.4	21.4
<i>Factors affecting the tax credit:</i>		
Disallowable expenditure and non-taxable income	5.8	1.2
Prior periods adjustments	(3.4)	(0.6)
Differences in effective tax rates on overseas profits	(9.6)	(5.6)
Non-recurring tax (refer to note 7)	(18.9)	(16.4)
Non-recognition of net tax losses	4.6	–
Changes in applicable statutory tax rates	(3.4)	(0.9)
Other items	0.6	–
Total tax credited to the Consolidated Income Statement	(20.9)	(0.9)

Company

	2011 £m	2010 £m
Loss before tax	(3.8)	(1.1)
Tax credit at the Republic of Ireland corporation tax rate 12.5% (2010: 12.5%)	(0.5)	(0.1)
<i>Factors affecting the tax credit:</i>		
Disallowable expenditure and non-taxable income	0.3	–
Group relief surrender	0.2	–
Tax losses not recognised	–	0.1
Total tax credited to the Company Income Statement	–	–

Notes to the Financial Statements

Group and Company continued

9. Earnings per share

Group

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

	2011 no. (millions)	2010 no. (millions)
Issued share capital	1,027.0	826.7
Less: own shares held	(72.9)	(38.3)
Weighted average number of ordinary shares for the purpose of basic earnings per share	954.1	788.4
Add: potential dilutive impact of share options and awards	58.6	60.8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,012.7	849.2

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.

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

9.1.1 Earnings

	2011 £m	2010 £m
Profit after tax attributable to equity holders of the parent	34.0	77.9
Add back: intangible amortisation, void property finance charge and Gartmore related employee share awards adjusted for tax	57.6	9.2
Add back: non-recurring items adjusted for tax and non-recurring tax items	34.1	(6.5)
Earnings for the purpose of basic and diluted earnings per share	125.7	80.6

9.1.2 Earnings per share

	2011 pence	2010 pence
Basic	13.2	10.2
Diluted	12.4	9.5

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

9.2.1 Earnings

	2011 £m	2010 £m
Earnings for the purpose of basic and diluted earnings per share	34.0	77.9

9.2.2 Earnings per share

	2011 pence	2010 pence
Basic	3.6	9.9
Diluted	3.4	9.2

10. Share-based payments

Group

10.1 Share-based compensation plans

The following share-based compensation plans were in operation during 2011:

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 and 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 employee tax and social security obligations.

Employee Share Ownership Plan (ESOP)

The 2008 ESOP enabled all staff, excluding Executive Directors, to defer part of their annual bonus into the ESOP, up to a specified limit, through the purchase of Company shares. The 2008 ESOP awarded one free matching share for every share purchased. To receive the matching shares, employees had to remain in the plan for three years. Matching shares for the 2008 ESOP vested in June 2011. Forfeiture conditions apply in the case of approved and unapproved leavers. No plan was offered in 2009 or 2010.

The 2011 ESOP enabled all staff, including the Executive Directors, to defer part of their annual bonus into the plan up to a specified limit through the purchase of Company shares. The 2011 ESOP awards up to three matching shares for every share purchased depending on the achievement of the Henderson Group TSR and Company share price performance. The plan is a five year plan with one third of the matching shares vesting on the third, fourth and fifth anniversary of the plan, if the conditions have been met on these anniversaries.

Long-Term Incentive Plan (LTIP)

The LTIP is a scheme that grants selected employees restricted shares or nil cost options that have employment conditions and performance conditions attached as shown below. Employees who have been awarded nil cost options have five years to exercise their options following the three year vesting period:

Criteria	Amount vesting 2008 to 2011 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 Henderson Group TSR reflects the underlying performance of the Group.

For the 2011 LTIP, 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 Henderson Risk team, because of the nature of their role, have different corporate risk related performance and vesting conditions that must be approved by the Board Risk Committee.

Employees are entitled to dividend equivalents. Dividend equivalents are paid based on the dividends declared during the three year vesting period in respect of the shares that vest at the end of the three year period. The dividend equivalents are payable in two equal tranches, at the end of years four and five.

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 2008 LTIP met its vesting conditions on 31 December 2010 and the awards vested in February 2011. The TSR performance condition resulted in 100% of the award being capable of exercise. The 2009 LTIP met its vesting conditions on 31 December 2011 and the awards will vest in April 2012. The TSR performance condition resulted in 100% of the award being capable of exercise.

Notes to the Financial Statements

Group and Company continued

10. Share-based payments continued

10.1 Share-based compensation plans continued

Deferred Equity Plan (DEP)

Under the Group's remuneration policy, for employees who receive cash-based incentive awards, over a preset threshold, an element of their award is deferred. The majority of deferrals are deferred into the Company's shares, with some deferrals into Group managed funds when deemed appropriate. The deferred monies are paid to the DEP trustee, who purchases shares or units or shares in Group products and holds them in trust subject to employment conditions. In 2008, 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 into hedge funds are held in trust for two years on a fully restricted basis and have no matching elements.

Forfeiture conditions apply in the case of approved and unapproved leavers.

Deferrals relating to 2009 awards were deferred into the Company's shares for up to two years and vest in two equal tranches. Deferrals relating to 2010 and 2011 awards were deferred for up to three years and vest in three equal tranches. For those employees who elected to participate in the 2011 ESOP, their restricted shares upon vesting (three equal tranches in 2012, 2013 and 2014) automatically transfer into the 2011 ESOP as bonus shares and in order to obtain matching shares become subject to the performance and employment conditions of that plan.

The expense of deferred short-term incentive awards is recognised in the Consolidated Income Statement over the period of deferral. As at 31 December 2011, £21.1m (2010: £14.1m) of deferred awards are to be recognised in future periods.

Buy As You Earn Share Plan (BAYE)

The BAYE is a 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). Partnership shares will be forfeited if purchased shares are withdrawn from the trust within one year.

The Group introduced an international version of the BAYE during 2010. It operates on a similar basis to the UK version, the principal differences are that there is no forfeiture of shares awarded and that each participating employee receives one free matching share for each share purchased.

Company Share Option Plan (CSOP)

The CSOP is a HMRC approved share option plan and the maximum value of unvested options at any time is limited to £30,000 for UK employees. No such restrictions apply for overseas employees. It 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. 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 because it has no Group performance conditions although they may hold awards made prior to their executive appointment.

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 do not participate 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 2011 ExSOP, the market price at grant was £1.61 (2010: £1.24) per share. The hurdle price including the 9% carry charge was set at £1.76 (2010: £1.35) per share. The shares have a vesting period of three years. The employees then have a further two years to take their portion of the jointly owned shares.

Sharesave scheme (SAYE)

The SAYE is a 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 2011 SAYE offering was made during the year. At the end of a three year period, the employees in the 2011 SAYE can choose to exercise their share options using the funds in their account, together with a bonus equivalent to 0.1 (2009 SAYE: 0.6 and 2010 SAYE: 0.3) times the monthly saving amount, to subscribe for shares at a preset price. This was £1.31 (2009 SAYE: £0.58 and 2010 SAYE: £1.00) per share, a 20% discount to the share price on the average share price of 7 to 11 March 2011 (2009 SAYE: 4 March 2009 and 2010 SAYE: average of first five working days of March 2010). Employees have up to six months after the three year period to exercise their options and subscribe for shares. Forfeiture provisions apply in the case of approved and unapproved leavers. The 2008 SAYE vested in 2011.

In 2006, the Group launched the USA Employee Share Purchase Plan (ESPP). The ESPP works broadly on the same principles as the UK SAYE but has a two year savings period, a lower discount level at 15% and no bonus element. In 2011, the preset option price was USD2.19 (2009 ESPP: USD0.88 and 2010 ESPP: USD1.62). Employees may participate in more than one plan but only up to a plan maximum of USD312.50 per month across all sharesave plans.

Gartmore plans

The Gartmore plans are schemes that allow employees to receive shares in the Company for £nil consideration at a future point, usually after three years. The awards were made by Gartmore, prior to the Group's acquisition, typically for staff retention purposes. On vesting, in order to obtain the shares, the employee must still be in employment and must satisfy any employee tax and social security obligations. These awards are now governed by the rules covering the Group's DEP and RSP awards.

10.2 Share-based payments through the Consolidated Income Statement

	2011 £m	2010 £m
Gartmore related employee share awards	30.1	–
ESOP	6.5	1.3
LTIP	5.0	3.5
DEP	4.8	2.9
RSP	2.8	3.6
BAYE	1.5	1.4
CSOP	1.0	0.8
SAYE	0.4	0.6
ExSOP	0.4	0.1
Share-based payments expense	52.5	14.2

The total amount settled through the Consolidated Statement of Changes in Equity is analysed between:

	2011 £m	2010 £m
Share-based payments charged to the Consolidated Income Statement	52.5	14.2
Other equity-settled bonuses	1.5	3.8
Amounts to be settled with equity	54.0	18.0

All amounts above exclude Group related employment taxes which are also recognised in the Consolidated Income Statement.

10.3 Share options outstanding – SAYE

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

	2011		2010	
	Options no.	Weighted average exercise price £	Options no.	Weighted average exercise price £
At 1 January	5,571,379	0.678	5,380,788	0.636
Granted	873,296	1.312	890,160	1.004
Exercised	(1,497,501)	0.700	(163,439)	0.980
Forfeited	(358,887)	0.877	(536,130)	0.704
At 31 December	4,588,287	0.776	5,571,379	0.678

The weighted average share price on the date options were exercised during 2011 was £1.42 (2010: £1.30). There were 162,076 options exercisable at 31 December 2011 (2010: nil). The weighted average fair value of options granted during 2011 was £0.42 (2010: £0.33). At 31 December 2011, the expected weighted average time remaining until the vesting of outstanding awards was 10 months (2010: one year and three months).

10.4 Share options outstanding – CSOP

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

	2011		2010	
	Options no.	Weighted average exercise price £	Options no.	Weighted average exercise price £
At 1 January	13,498,217	0.882	10,308,222	0.726
Granted	2,336,886	1.634	4,302,400	1.237
Exercised	(1,106,905)	0.748	(126,691)	0.726
Forfeited	(1,007,674)	1.070	(985,714)	0.816
At 31 December	13,720,524	1.007	13,498,217	0.882

The weighted average share price on the date options were exercised during 2011 was £1.64 (2010: £1.34). There were 539,376 options exercisable at 31 December 2011 (2010: 40,217). The weighted average fair value of options granted during 2011 was £0.29 (2010: £0.23). At 31 December 2011, the expected weighted average time remaining until the vesting of outstanding awards was eight months (2010: one year and six months).

Notes to the Financial Statements

Group and Company continued

10. Share-based payments continued

10.5 Jointly owned shares outstanding – ExSOP

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

	2011		2010	
	Jointly owned shares no.	Weighted average exercise price £	Jointly owned shares no.	Weighted average exercise price £
At 1 January	3,597,000	1.240	–	–
Granted	2,399,040	1.758	3,640,800	1.240
Exercised	(21,048)	1.240	–	–
Forfeited	(583,952)	1.401	(43,800)	1.240
At 31 December	5,391,040	1.453	3,597,000	1.240

The weighted average share price on the date options were exercised during 2011 was £1.59. There were no shares exercised in 2010. There were no jointly owned shares exercisable at 31 December 2011 (2010: nil). The fair value of the jointly owned shares granted during 2011 was £0.23 (2010: £0.22). At 31 December 2011 the expected weighted average time remaining until the vesting of outstanding awards was one year and 10 months (2010: two years and six months).

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:

	2011 SAYE	2011 CSOP	2011 ExSOP	2010 SAYE	2010 CSOP	2010 ExSOP
Dividend yield	3.72%	3.90%	4.03%	5.36%	5.36%	5.36%
Expected volatility	29.3%	29.2%	29.6%	35.8%	35.8%	35.8%
Risk-free interest rate	3.73%	3.73%	3.54%	3.55%	3.55%	3.55%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Weighted average share price	£1.640	£1.665	£1.613	£1.250	£1.240	£1.240
Exercise price	£1.312	£1.634	£1.758	£1.004	£1.237	£1.240

Expected volatility has been calculated based on the historical volatility for the Company's 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.

	2011		2010	
Scheme	Shares granted no.	Average grant share price £	Shares granted no.	Average grant share price £
BAYE	1,909,477	1.472	1,737,536	1.281
LTIP	8,417,000	1.731	13,375,000	1.267
RSP	830,381	1.399	1,794,632	1.275
DEP	6,708,516	1.413	4,305,306	1.301
Gartmore related employee share awards (refer to note 5.3)	38,132,073	1.731	–	–

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**

	2011 £m	2011 pence per share	2010 £m	2010 pence per share
Dividends on ordinary shares declared and paid in the period				
Final dividend in respect of 2H10 (2H09)	49.2	4.65	34.1	4.25
Interim dividend in respect of 1H11 (1H10)	20.7	1.95	14.9	1.85
Total dividends paid and charged to equity	69.9	6.60	49.0	6.10
	2011 £m	2011 pence per share	2010 £m	2010 pence per share
Dividends proposed on ordinary shares for approval by the shareholders at the AGM				
Final dividend for 2H11 (2H10)	55.4	5.05	38.8	4.65

The Board is recommending a final dividend for 2H11 of 5.05 pence per share which, when added to the interim 1H11 dividend of 1.95 pence per share, results in a total dividend for 2011 of 7.0 pence per share.

The dividend proposed in respect of 2H11 of £55.4m is based on the total number of ordinary shares in issue at 31 December 2011.

There is an increase of £9.8m between the proposed dividends (2H10 final: £38.8m, 1H11 interim: £21.3m), as reported in the 2010 Annual Report and Accounts and the Interim Results for the six months to 30 June 2011, versus the dividends paid out during the year (2H10 final: £49.2m, 1H11 interim: £20.7m). This represents an additional £11.3m of dividends paid as a result of the Gartmore acquisition offset by a decrease of £1.5m in relation to 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 2011 will be established by the employee benefit trust trustees on 4 May 2012, 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.

Notes to the Financial Statements

Group and Company continued

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

	2011 £m	2010 £m
Revenues by product		
UK OEIC/Unit Trusts	313.7	188.3
SICAVs	112.2	63.2
Property segregated mandates and funds	63.0	59.6
Offshore absolute return funds	52.2	19.5
Institutional segregated mandates and cash funds	57.5	57.3
US mutuals	33.3	34.3
Other	50.9	65.7
Gross fee income and commissions	682.8	487.9

Geographic information

	2011 £m	2010 £m
Revenues from clients		
UK	513.1	386.2
Luxembourg	86.0	44.4
Americas	29.8	33.0
Japan	13.3	–
Singapore	13.0	8.2
Ireland	4.6	2.4
Other	23.0	13.7
Gross fee income and commissions	682.8	487.9

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.

	2011 £m	2010 £m
Non-current assets		
UK	853.5	421.4
Other	6.4	9.9
	859.9	431.3

Non-current assets for this purpose consist of intangible assets, investments accounted for using the equity method, plant and equipment and deferred acquisition and commission costs.

13. Intangible assets**Group**

Intangible assets are analysed as follows:

2011

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	277.0	86.9	1.5	365.4
Additions	238.3	223.3	0.2	461.8
At 31 December	515.3	310.2	1.7	827.2
Amortisation				
At 1 January	–	(19.6)	(0.8)	(20.4)
Amortisation charge	–	(41.4)	(0.3)	(41.7)
At 31 December	–	(61.0)	(1.1)	(62.1)
Carrying value at 31 December	515.3	249.2	0.6	765.1

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

The Group considers itself to have one cash generating unit to which goodwill is allocated.

The recoverable amount of goodwill for the Group at 31 December 2011 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 in line with the Group's accounting policy. 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 pre-tax 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 40% drop in markets in 2012 and a comparable decrease in costs. This calculation also shows 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.

Notes to the Financial Statements

Group and Company continued

14. Investments in subsidiaries, associates and joint ventures

14.1 Principal subsidiaries

Company

Investment in subsidiaries

	2011 £m	2010 £m
At 31 December	934.0	460.7

The directly held subsidiaries of the Company are as follows:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2011	Percentage owned 2010
Henderson Global Group Limited	Republic of Ireland	GBP	100%	100%

Group

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

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2011	Percentage owned 2010
Gartmore Group Limited	Cayman Islands and UK	GBP	100%	–
Gartmore Investment Japan Limited	Japan	JPY	100%	–
Gartmore Investment Limited	UK	GBP	100%	–
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 (Holdings) Limited	UK	GBP	100%	100%
Henderson Global Investors (International Holdings) BV	Netherlands	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 BV	Netherlands	GBP	100%	100%
Henderson Holdings Group Limited	UK	GBP	100%	100%
Henderson Holdings Limited	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%
Henderson UK Finance plc	UK	GBP	100%	–
HGI Group Limited	UK	GBP	100%	100%

The information disclosed in the table above is only in respect of those subsidiaries which principally affect the figures shown in the Group's 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.

14.2 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 2011	Percentage owned 2010
Asia Real Estate Fund Management Limited	Singapore	SGD	50%	50%
Asia Real Estate Fund Management BVI	British Virgin Islands and Singapore	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%
Warburg-Henderson Kapitalanlagegesellschaft für Immobilien mbH	Germany	EUR	50%	50%

As a result of the Group's sale of WorldInvest Management Ltd. (refer to note 33.2), the Group disposed of its investment in New Star Canada Inc. In addition, during the year the Group acquired and disposed of an interest in Hermes GPE LLP.

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

	2011 £m	2010 £m
Share of aggregate net assets	3.7	6.8
Share of aggregate net profits for the year	0.7	2.0

15. Plant and equipment

Group

	2011 £m	2010 £m
Cost		
At 1 January	35.8	34.4
Additions	1.4	1.1
Acquisitions through business combinations	0.5	–
Disposals	(0.2)	(0.1)
Foreign exchange movement	–	0.4
At 31 December	37.5	35.8
Depreciation		
At 1 January	(14.6)	(11.4)
Charge	(3.3)	(3.2)
Disposals	0.1	–
At 31 December	(17.8)	(14.6)
Net book value at 31 December	19.7	21.2

Included in cost as at 31 December 2011 were fully depreciated assets amounting to £4.8m (2010: £2.8m).

Notes to the Financial Statements

Group and Company continued

16. Fair value of financial instruments

Group

Total financial assets and liabilities

	Notes	Carrying value 2011 £m	2010 £m	Fair value 2011 £m	2010 £m
Financial assets					
<i>Current assets:</i>					
Financial assets at fair value through profit or loss		10.5	1.2	10.5	1.2
Available-for-sale financial assets		54.3	46.6	54.3	46.6
OEIC, unit trust, trade and other debtors	18	91.0	62.4	91.0	62.4
Derivative financial instruments	18	0.2	–	0.2	–
Cash and cash equivalents	19.1	273.9	176.6	273.9	176.6
Total financial assets		429.9	286.8	429.9	286.8
Financial liabilities					
<i>Non-current liabilities:</i>					
Debt instruments in issue	20	148.0	179.1	157.3	179.2
<i>Current liabilities:</i>					
Debt instruments in issue	20	143.4	–	145.1	–
OEIC, unit trust and other creditors	24	86.5	71.6	86.5	71.6
Derivative financial instruments	24	–	0.1	–	0.1
Total financial liabilities		377.9	250.8	388.9	250.9

Other investments consist of investments in the Group's fund products which are held, in employee benefit trusts, against outstanding deferred compensation arrangements. Any movement in fair value of the assets is offset by a corresponding movement in the deferred compensation liability in the Consolidated Income Statement.

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 2012 Notes was unwound and the cumulative fair value adjustment to the carrying value of the 2012 Notes up to the date of unwinding, is being amortised and the credit 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, represent balances mainly 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 impairment.

Company

In 2011, the Company classified other investments as financial assets at fair value through profit or loss with a carrying value and fair value of £7.4m (2010: £nil). These investments are disclosed as Level 1 and Level 2 using the hierarchy set out on the following page. During 2011, there were no transfers in or out of Level 1, Level 2 and Level 3 (2010: £nil).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities by valuation technique:

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

Level 2: other techniques where all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

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

	Note	2011 £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		10.5	8.5	2.0	–
Available-for-sale financial assets		54.3	2.5	–	51.8
Derivative financial instruments	18	0.2	0.2	–	–
Total financial assets		65.0	11.2	2.0	51.8

	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		1.2	1.2	–	–
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

Current liabilities:

Derivative financial instruments	24	0.1	0.1	–	–
Total financial liabilities		0.1	0.1	–	–

During 2011, there were no transfers in or out of Level 1, Level 2 and Level 3 (2010: £nil).

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

	2011 £m	2010 £m
Fair value at 1 January	40.4	39.2
Additions	5.5	1.4
Disposals	–	(1.1)
Fair value movements recognised in the Consolidated Statement of Comprehensive Income	5.9	2.7
Impairment recognised in the Consolidated Income Statement	–	(1.8)
Fair value at 31 December	51.8	40.4

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 could result in a significant change in fair value. However, due to the numerous different factors affecting the assets, the impact cannot be quantified.

Notes to the Financial Statements

Group and Company continued

17. Deferred acquisition and commission costs

Group

	2011 £m	2010 £m
At 1 January	113.6	77.0
Costs and commissions capitalised	118.9	86.4
Amortisation charge	(77.8)	(49.9)
Foreign exchange movement	–	0.1
At 31 December	154.7	113.6
Non-current	71.4	58.3
Current	83.3	55.3
At 31 December	154.7	113.6

18. Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
OEIC and unit trust debtors	62.7	42.1	–	–
Derivative financial instruments	0.2	–	–	–
Trade debtors	13.1	8.2	–	–
Accrued income	70.0	71.9	–	–
Other debtors	15.2	12.1	–	–
Prepayments	7.1	7.3	–	–
Amounts owed by subsidiaries	–	–	1.6	0.1
	168.3	141.6	1.6	0.1

19. Cash and cash equivalents

19.1 Cash and cash equivalents

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	170.4	48.7	0.1	0.1
Cash equivalents	103.5	127.9	–	–
Cash and cash equivalents	273.9	176.6	0.1	0.1

Cash and cash equivalents consist of cash in hand, cash at bank and short-term highly liquid government securities or investments in money market instruments with a maturity date of three months or less.

Included within cash and cash equivalents as at 31 December 2011 is £4.7m (2010: £5.0m) of restricted cash. Restricted amounts represent £4.7m (2010: £4.7m) held in escrow for HGPS and £nil (2010: £0.3m) of funds held in employee benefit trusts. In addition, as at 31 December 2011 £4.6m (2010: £17.4m) 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	
	2011 £m	2010 £m	2011 £m	2010 £m
Change in OEICs and unit trust debtors and creditors	(23.4)	3.8	–	–
Increase in gross deferred acquisition and commission costs	(118.9)	(86.4)	–	–
Decrease/(increase) in other assets	11.2	(0.3)	(7.6)	12.3
Increase in gross deferred income	127.0	88.2	–	–
(Decrease)/increase in provisions and other liabilities	(6.9)	11.2	87.9	1.4
Increase in investment in subsidiaries	–	–	(54.0)	–
Changes in operating assets and liabilities	(11.0)	16.5	26.3	13.7

20. Debt instruments in issue**Group**

	2011 Carrying value £m	2011 Fair value £m	2010 Carrying value £m	2010 Fair value £m
Senior, unrated fixed rate notes due 2012	143.4	145.1	179.1	179.2
Senior, unrated fixed rate notes due 2016	148.0	157.3	–	–
	291.4	302.4	179.1	179.2
Non-current	148.0	157.3	179.1	179.2
Current	143.4	145.1	–	–
	291.4	302.4	179.1	179.2

The debt instruments in issue represent, at par, £142.6m 2012 Notes and £150.0m 2016 Notes listed on the LSE.

The 2012 Notes are unsecured, unrated and repayable in full on 2 May 2012 and bear interest at a fixed rate of 6.5% per annum payable six monthly. On 24 March 2011, the Group extinguished £32.4m of the 2012 Notes and exchanged them into the 2016 Notes. The fair value of the 2012 Notes is £145.1m (2010: £179.2m).

The Group swapped the fixed interest coupon on the 2012 Notes into a floating rate on issue of the notes. The swap was unwound on 9 December 2008. 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 notes.

On 24 March 2011, the Group issued £150.0m of 2016 Notes which are unsecured, unrated and repayable in full on 24 March 2016 and bear interest at a fixed rate of 7.25% per annum payable six monthly. The fair value of the 2016 Notes is £157.3m.

On 12 January 2011, the Group entered into a £75.0m revolving credit facility with a syndicate of three banks, which expires in April 2014. This facility has not been drawn.

On the same date, the Group also entered into a £200.0m multicurrency term facility with the same syndicate of three banks. As at 31 December 2011, £42.6m remained available to the Group up to 4 October 2012. The facility has not been drawn and as referred to in note 35, subsequent to 31 December 2011, the Group has cancelled this facility.

21. Retirement benefits**Group****Retirement benefit assets recognised in the Consolidated Statement of Financial Position**

	Notes	2011 £m	2010 £m
Henderson Group Pension Scheme	21.1	136.8	112.5
Gartmore Pension Scheme	21.2	54.1	–
Total retirement benefit assets at 31 December		190.9	112.5

Retirement benefit obligations recognised in the Consolidated Statement of Financial Position

	Note	2011 £m	2010 £m
Henderson Group unapproved pension schemes	21.3	6.5	6.2

Pension service cost/(credit) recognised in the Consolidated Income Statement

	Notes	2011 £m	2010 £m
Henderson Group Pension Scheme	21.1	(3.3)	(2.3)
Henderson Money Purchase Scheme		5.4	4.7
Gartmore Pension Scheme	21.2	(0.7)	–
Henderson Group unapproved pension schemes	21.3	0.3	0.3
Total pension service cost for the year		1.7	2.7

Notes to the Financial Statements

Group and Company continued

21. Retirement benefits continued

Actuarial gains/(losses) recognised in the Consolidated Statement of Comprehensive Income

	Notes	2011 £m	2010 £m
Henderson Group Pension Scheme	21.1	38.6	14.8
Gartmore Pension Scheme	21.2	28.6	–
Tax at source		(31.6)	–
Reclassification from deferred tax	23	6.1	–
Henderson Group unapproved pension schemes	21.3	(0.1)	–
Total actuarial gains for the year		41.6	14.8

Tax at source represents tax deductions at source under statute on refund of surpluses.

Employer contributions

The Group expects to contribute approximately £9.2m to the Henderson Group Pension Scheme (HGPS) and the Henderson Money Purchase Scheme in the year ending 31 December 2012. No contributions are expected to be made into other schemes.

21.1 Henderson Group Pension Scheme – Final Salary Scheme

The Final Salary Scheme represents the defined benefit section of HGPS, which closed to new members on 15 November 1999. The sponsor and principal employer of HGPS is HGI Group Limited 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 HGPS are Towers Watson.

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

Reconciliation of present value of defined benefit obligations

	2011 £m	2010 £m
At 1 January	336.8	312.8
Current service cost	3.3	3.2
Interest cost	18.0	17.4
Actuarial losses	16.9	11.5
Benefit payments	(9.4)	(8.1)
At 31 December	365.6	336.8

Reconciliation of fair value of defined benefit scheme assets

	2011 £m	2010 £m
At 1 January	449.3	402.8
Expected return on scheme assets	24.6	22.9
Actuarial gains	55.5	26.3
Contributions	3.8	5.4
Benefit payments	(9.4)	(8.1)
At 31 December	523.8	449.3

Net retirement benefit asset recognised in the Consolidated Statement of Financial Position

	2011 £m	2010 £m
Present value of defined benefit obligations	(365.6)	(336.8)
Fair value of defined benefit scheme assets	523.8	449.3
Tax at source	(21.4)	–
Net retirement benefit asset at 31 December	136.8	112.5

Pension service credit recognised in the Consolidated Income Statement

	2011 £m	2010 £m
Current service cost	3.3	3.2
Interest cost	18.0	17.4
Expected return on scheme assets	(24.6)	(22.9)
Total pension service credit for the year	(3.3)	(2.3)

Actuarial gains recognised through the Consolidated Statement of Comprehensive Income

	2011 £m	2010 £m
At 1 January	22.4	7.6
Actuarial gains recognised in the Consolidated Statement of Comprehensive Income	38.6	14.8
Tax at source	(21.4)	–
At 31 December	39.6	22.4

Movements in net assets recognised in the Consolidated Statement of Financial Position

	2011 £m	2010 £m
At 1 January	112.5	90.0
Pension service credit recognised in the Consolidated Income Statement	3.3	2.3
Contributions	3.8	5.4
Actuarial gains recognised in the Consolidated Statement of Comprehensive Income	38.6	14.8
Tax at source	(21.4)	–
At 31 December	136.8	112.5

Pension scheme assets

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

Fair value of defined benefit scheme assets

	Market value		% as a total of assets		Expected rate of return	
	2011 £m	2010 £m	2011 %	2010 %	2011 %	2010 %
Risk reducing portfolio	389.9	236.4	74	53	3.0	4.2
Return seeking portfolio	130.5	199.1	25	44	6.3	7.2
Cash portfolio	3.4	13.8	1	3	3.0	4.2
Total	523.8	449.3	100	100	3.8	5.5

HGPS 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 2011. The expected rate of return on bonds, 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

	2011 £m	2010 £m
Actual return on scheme assets	80.1	49.2

Notes to the Financial Statements

Group and Company continued

21. Retirement benefits continued

21.1 Henderson Group Pension Scheme – Final Salary Scheme continued

Principal actuarial assumptions

(a) Financial assumptions

	2011 % per annum	2010 % per annum
Discount rate	4.9	5.4
Expected rate of return on scheme assets	3.8	5.5
Salary increases	2.5	2.5
Pension increases:		
– where liability is the Retail Price Index (RPI) capped at 5% per annum	3.1	3.4
– where liability is the RPI capped at 2.5% per annum	2.2	2.3
– where liability is fixed	At fixed rate	At fixed rate
Inflation (RPI)	3.2	3.6
Inflation (CPI)	2.5	n/a

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. This was enacted in April 2011 and as a result in 2011, the Group has moved from RPI to CPI as the basis for revaluation of certain obligations.

(b) Demographic assumptions

The demographic assumptions used as at 31 December 2011 are consistent with those underlying the last actuarial valuation of HGPS 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 2011 using this mortality assumption:

	Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	28.0	29.5
Life expectancy at 60 for a member who is currently 45	29.4	31.0

(c) Historical amounts

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligations	(365.6)	(336.8)	(312.8)	(251.9)	(282.4)
Defined benefit scheme assets	523.8	449.3	402.8	404.4	344.7
Surplus in the scheme before tax at source	158.2	112.5	90.0	152.5	62.3
Experience (losses)/gains on scheme liabilities	(2.2)	(0.9)	12.1	(1.2)	(0.5)
Experience gains/(losses) on scheme assets	55.5	26.3	(18.5)	20.6	1.2
Net experience gains/(losses)	53.3	25.4	(6.4)	19.4	0.7

21.2 Gartmore Pension Scheme – Final Salary Scheme

As part of the acquisition of Gartmore in April 2011, the Group acquired the assets and liabilities of the Gartmore Pension Scheme (GPS). GPS was closed to new entrants and future accrual for existing members in 2006. The sponsor and participating company is Gartmore Investment Management Limited. The actuarial advisers to GPS are Lane Clark & Peacock LLP.

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

Reconciliation of present value of defined benefit obligations

	2011 £m
Balance at acquisition	87.1
Interest cost since acquisition	3.3
Actuarial losses since acquisition	9.0
Benefit payments since acquisition	(2.7)
At 31 December	96.7

Reconciliation of the fair value of defined benefit scheme assets

	2011 £m
Balance at acquisition	141.0
Expected return on scheme assets since acquisition	4.0
Actuarial gains since acquisition	37.6
Benefit payments since acquisition	(2.7)
At 31 December	179.9

Net retirement benefit asset recognised in the Consolidated Statement of Financial Position

	2011 £m
Present value of defined benefit scheme obligations	(96.7)
Fair value of defined benefit scheme assets	179.9
Tax at source	(29.1)
Net retirement benefit asset at 31 December	54.1

Pension service credit recognised in the Consolidated Income Statement

	2011 £m
Interest cost since acquisition	3.3
Expected return on scheme assets since acquisition	(4.0)
Pension service credit for the period	(0.7)

Actuarial gains recognised through the Consolidated Statement of Comprehensive Income

	2011 £m
Actuarial gains recognised in the Consolidated Statement of Comprehensive Income since acquisition	28.6
Tax at source	(10.2)
Actuarial gains for the period	18.4

Movements in net asset recognised in the Consolidated Statement of Financial Position

	2011 £m
Balance at acquisition	35.0
Pension service credit recognised in the Consolidated Income Statement	0.7
Actuarial gains recognised in the Consolidated Statement of Comprehensive Income	28.6
Tax at source	(10.2)
At 31 December	54.1

Pension scheme assets

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

Fair value of the defined benefit scheme assets

	Market value 2011 £m	% as a total of assets 2011 %	Expected rate of return 2011 %
Index-linked gilts	179.2	100	2.9
Cash portfolio	0.7	—	—
Total	179.9	100	2.9

The investment strategy of GPS is liability driven. This strategy seeks to minimise the effect of inflation and interest rate effects through investment in index-linked gilts and the use of inflation and interest rate swaps.

Actual return on defined benefit scheme assets

	2011 £m
Actual return on scheme assets	41.6

Notes to the Financial Statements

Group and Company continued

21. Retirement benefits continued

21.2 Gartmore Pension Scheme – Final Salary Scheme continued

Principal actuarial assumptions

(a) Financial assumptions

	2011 % per annum
Discount rate	4.9
Expected rate of return on scheme assets	2.9
Pension increases	3.1
Inflation	3.2

The expected rates of return on assets at 31 December 2011 have been determined as a weighted average of the expected returns for each asset class held by GPS at that date. GPS uses RPI as the basis for revaluation of certain obligations, in line with the trust deeds.

(b) Demographic assumptions

The demographic assumptions used as at 31 December 2011 are consistent with those for HGPS. 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 2011 using this mortality assumption:

	Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	28.0	29.5
Life expectancy at 60 for a member who is currently 45	29.4	31.0

(c) Historical amounts

	2011 £m
Defined benefit obligations	(96.7)
Defined benefit scheme assets	179.9
Surplus in the scheme before tax at source	83.2
Experience losses on scheme liabilities	(0.9)
Experience gains on scheme assets	37.6
Net experience gains	36.7

21.3 Henderson Group unapproved pension schemes

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

Pearl Executive Scheme. Members of this scheme are also members of HGPS. However, pensionable earnings under HGPS 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;

Henderson Top Up Scheme. Members of this scheme are also members of HGPS. However, pensionable earnings under HGPS 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; and

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

	2011 £m	2010 £m
At 1 January	6.2	6.1
Interest cost	0.3	0.3
Actuarial losses	0.1	–
Benefit payments	(0.1)	(0.2)
At 31 December	6.5	6.2

Summary of defined benefit obligations at 31 December

	2011 £m	2010 £m
Pearl Executive Scheme	5.3	5.1
Henderson Top Up Scheme	1.0	0.9
Individual contractual promise	0.2	0.2
Total	6.5	6.2

Defined benefit obligations recognised in the Consolidated Statement of Financial Position

	2011 £m	2010 £m
Present value of defined benefit obligations	6.5	6.2
Fair value of defined benefit scheme assets	–	–
Net benefit obligation at 31 December	6.5	6.2

Pension service cost recognised in the Consolidated Income Statement

	2011 £m	2010 £m
Interest cost	0.3	0.3
Pension service cost in the year	0.3	0.3

Actuarial losses recognised through the Consolidated Statement of Comprehensive Income

	2011 £m	2010 £m
At 1 January	1.8	1.8
Actuarial losses	(0.1)	–
Actuarial losses	1.7	1.8

Movements in net obligation recognised in the Consolidated Statement of Financial Position

	2011 £m	2010 £m
At 1 January	6.2	6.1
Pension service cost recognised in the Consolidated Income Statement	0.3	0.3
Actuarial losses recognised in the Consolidated Statement of Comprehensive Income	0.1	–
Benefit payments	(0.1)	(0.2)
At 31 December	6.5	6.2

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

	2011 % per annum	2010 % per annum
Discount rate	4.9	5.4
Salary increases	n/a	n/a
Pension increases:		
– where liability is the RPI	3.1	3.4
– where liability is fixed	At fixed rate	At fixed rate
Inflation	3.2	3.6

(b) Demographic assumptions

The demographic assumptions used as at 31 December 2011 are those underlying the last actuarial valuation of HGPS 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 2011 using this mortality assumption:

	Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	28.0	29.5
Life expectancy at 60 for a member who is currently 45	29.4	31.0

(c) Historical amounts

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligations	6.5	6.2	6.1	4.7	5.2
Defined benefit scheme assets	–	–	–	–	–
Deficit in the pension schemes	6.5	6.2	6.1	4.7	5.2
Experience (losses)/gains on scheme liabilities	–	–	–	(0.1)	0.2

Notes to the Financial Statements

Group and Company continued

22. Provisions

Group

	Void properties £m	Staff related £m	FSCS interim levy £m	Other £m	Total £m
At 1 January 2011	16.2	3.9	7.6	25.0	52.7
Additions	6.8	0.4	–	1.4	8.6
Finance charge	2.1	–	–	–	2.1
Provisions utilised	(4.6)	(0.3)	(7.6)	(4.5)	(17.0)
Provisions released	(6.5)	(0.5)	–	–	(7.0)
At 31 December 2011	14.0	3.5	–	21.9	39.4
Non-current	9.9	–	–	8.8	18.7
Current	4.1	3.5	–	13.1	20.7
At 31 December 2011	14.0	3.5	–	21.9	39.4

Void properties

The void properties provision reflects the net present value of the excess of lease rentals and other payments on New Star and Gartmore properties, with onerous contracts, 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 14 years) as a void property finance charge to the Consolidated Income Statement. During 2011, £6.5m was released in relation to a New Star property (refer to note 7).

Staff related

Staff related provisions have been recognised in respect of a 2009 business restructuring and New Star and Gartmore 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.

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

23. Deferred tax

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

Group

	Accelerated capital allowances £m	Retirement benefits £m	Intangible assets £m	Other temporary differences £m	Total £m
At 1 January 2010	1.8	(23.4)	(22.0)	7.4	(36.2)
Current year credit/(charge) to the Consolidated Income Statement	1.8	(1.4)	3.8	(1.5)	2.7
Impact of foreign exchange movements	–	–	–	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)	(18.2)	23.5	(19.8)
Acquisitions through business combinations	1.6	–	(58.0)	6.0	(50.4)
Current year credit to the Consolidated Income Statement	0.9	–	13.9	9.9	24.7
Impact of foreign exchange movements	–	–	–	0.1	0.1
Reclassification in relation to tax at source	–	6.1	–	–	6.1
Current year charge to the Consolidated Statement of Comprehensive Income	–	–	–	(0.2)	(0.2)
Current year charge to the Consolidated Statement of Changes in Equity	–	–	–	(3.7)	(3.7)
At 31 December 2011	6.1	(22.6)	(62.3)	35.6	(43.2)

Deferred tax assets and liabilities in the above summary represent gross assets and liabilities as follows:

	Assets £m	Liabilities £m	Total £m
At 31 December 2010	30.3	(50.1)	(19.8)
At 31 December 2011	45.3	(88.5)	(43.2)

The change in the UK corporation tax rate from 27% to 25% with effect from 1 April 2012 resulted in a reduction of £3.2m in the net deferred tax liability of the Group. Proposed further reductions of the UK corporation tax rate of 1% per annum to 23% by 1 April 2014 are anticipated to be enacted separately each year. The Group estimates the aggregate impact of the proposed reductions from 25% to 23% may reduce the deferred tax assets and deferred tax liabilities by approximately £2.3m and £4.9m respectively.

At the reporting date, the Group has 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 £13.5m (2010: £29.7m). The unrecognised deferred tax asset in respect of capital losses carried forward is £14.6m (2010: £16.1m). The losses have no expiry date.

Consistent with prior years, deferred tax is not recognised in respect of taxable timing differences associated with the Group's 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 (2010: £nil).

Notes to the Financial Statements

Group and Company continued

24. Trade and other payables

	Group 2011 £m	2010 £m	Company 2011 £m	2010 £m
OEIC and unit trust creditors	61.6	52.7	–	–
Derivative financial instruments	–	0.1	–	–
Other creditors	24.9	18.9	–	–
Accruals	219.5	150.3	7.4	–
Amounts owed to subsidiaries	–	–	83.8	3.3
At 31 December 2011	306.0	222.0	91.2	3.3
Non-current	2.7	–	–	–
Current	303.3	222.0	91.2	3.3
At 31 December 2011	306.0	222.0	91.2	3.3

25. Share capital

25.1 Authorised share capital

	Group and Company 2011 £m	2010 £m
2,194,910,776 ordinary shares of 12.5 pence each	274.4	243.7

On 22 March 2011, the authorised share capital of the Group increased from 1,949,910,776 to 2,194,910,776 by creating 245,000,000 shares. The purpose of this increase was to enable Group to allot shares in connection with the acquisition of Gartmore.

25.2 Allotted share capital

Allotted, called up and fully paid equity shares:

	Group and Company no.	Group and Company £m
Shares in issue		
At 1 January 2010	824,720,604	103.1
Issue of shares for employee share schemes	9,097,897	1.1
At 31 December 2010	833,818,501	104.2
Issue of shares for Gartmore acquisition	242,639,403	30.3
Issue of shares for employee share schemes	20,859,379	2.6
Cash allotment	622,004	0.1
At 31 December 2011	1,097,939,287	137.2

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

Nature and purpose of reserves

The Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity on pages 55 and 58 respectively, provide details of movements in equity for the Group and Company.

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.

Group and Company

Own shares held

Total own shares held had a cost of £115.6m (2010: £52.4m) and a market value of £79.5m (2010: £59.4m) as at 31 December 2011 and constituted 7.1% (2010: 5.6%) of the Company's issued share capital as at that date.

	2011 no. of shares	2010 no. of shares
Henderson Employee Trust 2000	4,663,385	19,433,557
HHG plc Employee Trust 2004	1,635,000	373,079
Henderson Employee Trust 2009	46,601,318	14,807,210
Henderson Group plc Employee Trust 2009	21,312,091	12,129,575
Gartmore Employee Trust	2,283,434	–
ACS HR Solutions UK Limited (ACS)	1,123,966	119,978
Henderson Employee Share Ownership Trust	942	–
	77,620,136	46,863,399

The above trusts 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 administers all of the above trusts.

Group

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.

Group

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 which are not part of a designated hedge relationship.

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.

Group and Company

Profit and loss reserve

The profit and loss reserve comprises:

- results recognised through the Consolidated Income Statement;
- dividend distributions;
- transactions relating to share-based payments; and
- actuarial gains and losses recognised through the Consolidated Statement of Comprehensive Income, net of tax.

Notes to the Financial Statements

Group and Company continued

27. Non-controlling interests

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

	2011 non-controlling interest %	2010 non-controlling interest %	2011 non-controlling interest £m	2010 non-controlling interest £m
HGI Immobilien Austria GmbH	35%	35%	0.4	0.4
New Star Institutional Managers Limited	–	75%	–	1.5
WorldInvest Management Ltd.	–	75%	–	(1.4)
At 31 December			0.4	0.5

On 1 July 2011, the Group disposed of its investment in WorldInvest Management Ltd. and NSIM.

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 examined 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 Board 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 Group 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 Investment Management products and between three and seven years for Private Equity and Property funds. The total market value of seed capital investments at 31 December 2011 was £54.3m (2010: £46.6m).

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 2011, investments with a carrying value of £1.4m (2010: £2.9m) 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 Financial Instruments: Recognition and Measurement. 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

	2011 Consolidated Income Statement £m	2011 Consolidated Statement of Comprehensive Income £m	2010 Consolidated Income Statement £m	2010 Consolidated Statement of Comprehensive Income £m
Market value movement +/- 10%	–	5.2	–	4.4

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 2011

	Floating rate £m	Fixed rate £m	Other £m	Total £m
Financial assets				
Financial assets at fair value through profit or loss	–	–	10.5	10.5
Available-for-sale financial assets	–	–	54.3	54.3
OEIC, unit trust, trade and other debtors	–	–	91.0	91.0
Derivative financial instruments	–	–	0.2	0.2
Cash and cash equivalents	213.9	60.0	–	273.9
Total financial assets	213.9	60.0	156.0	429.9
Financial liabilities				
Debt instruments in issue	–	291.4	–	291.4
OEIC, unit trust and other creditors	–	–	86.5	86.5
Total financial liabilities	–	291.4	86.5	377.9

At 31 December 2010

	Floating rate £m	Fixed rate £m	Other £m	Total £m
Financial assets				
Financial assets at fair value through profit or loss	–	–	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 instruments 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

Interest on financial instruments classified as floating rate are repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate are fixed until the maturity of the instrument. Asset and liabilities categorised as fixed rate or other are not exposed to interest rate risk.

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 £1.4m per annum in the Consolidated Income Statement.

Notes to the Financial Statements

Group and Company continued

28. Financial risk management continued

28.3 Liquidity risk

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

Group liquidity is managed on a daily basis by 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 2011

	Within 1 year or repayable on demand £m	Within 2-5 years £m	Total £m	Carrying value in the Consolidated Statement of Financial Position £m
Debt instrument in issue (including interest)	158.1	188.1	346.2	291.4
OEIC, unit trust and other creditors	83.8	2.7	86.5	86.5
	241.9	190.8	432.7	377.9

At 31 December 2010

	Within 1 year or repayable on demand £m	Within 2-5 years £m	Total £m	Carrying value in the Consolidated 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

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, 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 and the timing is 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 USD43.7m and EUR7.8m (2010: USD44.7m and EUR7.8m) (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 and net trading receipts in subsidiaries of the Group.

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

Foreign currency sensitivity analysis

	2011		2010	
	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
US dollar +/- 10%	1.4	1.7	2.0	1.6
Euro +/- 10%	0.4	2.4	3.4	3.3
Australian dollar +/- 10%	0.4	0.1	0.4	0.3
Chinese yuan +/- 10%	0.2	0.1	–	–
Japanese yen +/- 10%	0.3	0.7	–	–
Singaporean dollar +/- 10%	0.1	1.9	0.1	0.5
Hong Kong dollar +/- 10%	–	–	0.2	–

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 or counterparty defaults during the year.

The Risk Management function is also responsible for reporting credit exposures to the Board 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 2011

	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						
Financial assets at fair value through profit or loss	10.5	–	–	–	–	10.5
Available-for-sale financial assets	54.3	–	–	–	–	54.3
OEIC, unit trust, trade and other debtors	77.7	8.6	0.6	1.8	2.3	91.0
Derivative financial instruments	0.2	–	–	–	–	0.2
Cash and cash equivalents	273.9	–	–	–	–	273.9
Total financial assets	416.6	8.6	0.6	1.8	2.3	429.9

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						
Financial assets at fair value through profit or loss	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

Notes to the Financial Statements

Group and Company continued

28. Financial risk management continued

28.5 Credit risk continued

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

At 31 December 2011

	AAA £m	AA £m	A £m	Not rated £m	Total £m
Financial assets					
Financial assets at fair value through profit or loss	–	–	–	10.5	10.5
Available-for-sale financial assets	–	–	–	54.3	54.3
OEIC, unit trust, trade and other debtors	–	–	–	91.0	91.0
Derivative financial instruments	–	–	–	0.2	0.2
Cash and cash equivalents	97.8	71.0	105.0	0.1	273.9
Total financial assets	97.8	71.0	105.0	156.1	429.9

At 31 December 2010

	AAA £m	AA £m	A £m	Not rated £m	Total £m
Financial assets					
Financial assets at fair value through profit or loss	–	–	–	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

28.6 Hedging activities

At 31 December 2011, 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 (2010: £0.4m) and has been offset in the Consolidated Income Statement by £0.4m (2010: £0.5m), being the net realised and unrealised gain on available-for-sale financial assets in designated hedging relationships during the year. At 31 December 2011, the fair value and notional amount of the CFDs was £nil (2010: £nil).

At 31 December 2011, the Group held 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 £0.4m (2010: £0.7m) and has been offset in the Consolidated Income Statement by £0.4m (2010: £0.6m), being the net realised and unrealised foreign exchange gain on available-for-sale financial assets in designated hedging relationships during the year. The fair value of these hedges is set out in the table below:

	Notional amount £m	2011		Notional amount £m	2010	
		Assets £m	Liabilities £m		Assets £m	Liabilities £m
Fair value hedges						
Derivative contracts at fair value	36.8	0.2	–	35.1	–	0.1

29. Leases**Operating leases**

The Group is party to four 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 and Gartmore, the Group became party to three further material operating leases. These are in relation to 1 Knightsbridge Green, London, 8 Lancelot Place, London and Rex House, Queen Street, London. At the reporting date, the leases run for a period of five, 11 and 14 years respectively. A void properties provision has been recognised for these leases at the net present value of the net expected future cash outflows (refer to note 22).

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

	2011 £m	2010 £m
Within one year	14.8	12.0
In two to five years inclusive	58.4	48.2
After five years	115.9	98.8
Total	189.1	159.0

The total future minimum sublease payments expected to be received under non-cancellable subleases within one year at the reporting date were £3.9m (2010: £2.7m).

30. Capital commitments**Group and Company**

The amounts of capital expenditure contracted for but not provided for in the financial statements at 31 December 2011 amounted to £nil (2010: £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:

	2011 £m	2010 £m
Transactions with related parties during the year		
Investment in subsidiary companies	420.0	–
Capital contributions to indirect subsidiary companies	41.1	15.8
Funding from subsidiary companies	(80.5)	(13.0)
Amounts owed by/(to) related parties at 31 December		
Amounts owed by subsidiary companies	1.6	0.1
Amounts owed to subsidiary companies	(83.8)	(3.3)

Group

Disclosures relating to investments accounted for using the equity method and Group pension schemes are covered under note 14.2 and 21 respectively. Transactions between the Company and its controlled subsidiaries and between 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 Code Staff, representing key management personnel, is disclosed below:

	2011 £m	2010 £m
Short-term employee benefits	12.1	11.6
Post-employment benefits	0.4	0.4
Share-based payments	7.7	8.0
	20.2	20.0

The expense of deferred short-term incentive awards is recognised in the Consolidated Income Statement over the period of deferral. As at 31 December 2011, £3.0m (2010: £2.7m) of deferred awards are to be recognised in future periods in respect of key management personnel.

As part of standard employee benefits available to all staff, the Group makes available interest free loans to staff to cover annual season ticket loans and cycle schemes. Loans provided to key management personnel during the year amounted to £7,208 (2010: £3,708) with repayments during the year of £3,208 (2010: £3,708). Loans outstanding at 31 December 2011 were £4,000 (2010: £nil).

Notes to the Financial Statements

Group and Company continued

32. Contingent liabilities

The following contingent liabilities existed or may exist at 31 December 2011:

- 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;
- 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 from the date of the agreement. These indemnities are subject to certain exclusions and limitations, including a financial cap;
- 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 gave: (a) certain warranties relating to itself and HLAF; and (b) indemnities against 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 warranties and indemnities are subject to certain exclusions and limitations, including a financial cap. The warranties relating to taxation will expire on 28 February 2018 and all other warranties will expire on 28 February 2015; the indemnities will expire on 28 February 2017;
- Under the Share Purchase Agreement dated 13 May 2011 relating to the sale of the entire issued share capital of WorldInvest Management Ltd. to Connor, Clark & Lunn UK Limited, the Group gave: (a) warranties relating to WorldInvest Management Ltd.; and (b) an indemnity against losses suffered by Connor, Clark & Lunn UK Limited arising from prior acts, omissions, liabilities or obligations of New Star Institutional Managers Limited that do not relate to its business, that will expire on 1 July 2012. The warranties are subject to certain exclusions and limitations, including a financial cap;
- Under the Share Sale Agreement dated 1 November 2011 relating to the sale of the entire issued share capital of Gartmore JV Limited to Hermes Fund Managers Limited, the Group gave: (a) an indemnity against any liabilities of Gartmore JV Limited existing prior to, or arising as a result of, completion of the sale, subject to certain exceptions; and (b) warranties relating to Gartmore JV Limited that will expire on 30 June 2013. The indemnity and warranties are subject to certain exclusions and limitations, including a financial cap; and
- In December 2011, two subsidiaries of Henderson Group plc, Henderson Equity Partners GP Limited and Henderson Equity Partners Limited were served with legal proceedings, which allege breach of mandate and misrepresentation, by a majority of the investors in Henderson PFI Secondary Fund II L.P. The proceedings do not quantify the sums claimed and will be defended vigorously.

As at the date of approval of the 2011 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 other than those disclosed above.

33. Acquisitions and disposals of subsidiaries

On 4 April 2011, Henderson Group plc completed its acquisition of 100% of the issued share capital of Gartmore Group Limited. The value of total equity consideration for Gartmore was £420.0m, being 242,639,403 new ordinary shares at the closing market price on the LSE on the last business day prior to issue. The cost of acquisition amounted to £365.4m after adjusting for Gartmore related employee share awards.

The assets and liabilities of Gartmore at the date of acquisition and subsequent fair value adjustments made by the Group are as follows:

	At date of acquisition £m	Fair value adjustments £m	Fair value of assets and liabilities acquired £m
Goodwill	240.9	(240.9)	–
Investment management contracts	60.7	160.2	220.9
Retirement benefit asset	–	35.0	35.0
Investments accounted for using the equity method	3.1	14.3	17.4
Plant and equipment	0.5	–	0.5
Deferred tax assets	7.6	–	7.6
Available-for-sale financial assets	9.4	–	9.4
Trade and other receivables	90.6	–	90.6
Cash and cash equivalents	202.2	–	202.2
Borrowings	(245.4)	–	(245.4)
Retirement benefit obligations	(0.2)	–	(0.2)
Provisions	(1.5)	(0.4)	(1.9)
Deferred tax liabilities	(16.7)	(41.1)	(57.8)
Trade and other payables	(146.1)	1.7	(144.4)
Current tax liabilities	(6.9)	0.1	(6.8)
Net assets acquired	198.2	(71.1)	127.1
Goodwill			238.3
Own shares			70.0
Fair value of purchase consideration			435.4
Represented by:			
Equity consideration to Gartmore shareholders			420.0
Fair value of share-based payment awards exchanged			15.4
Fair value of purchase consideration			435.4
Deduct: equity consideration to employee benefit trusts			(70.0)
Cost of acquisition			365.4

33.1 Acquisitions

Subsequent to the provisional accounting for the acquisition, the fair value of the investments accounted for using the equity method has been updated to reflect the value at the time of acquisition. In addition, the Group has recognised the retirement benefit asset relating to GPS, net of tax at source and a further adjustment relating to trade and other payables. Goodwill has been adjusted by £51.0m accordingly and results in £238.3m being recognised by the Group. The acquisition accounting has now been finalised.

The business acquired is now integrated within the Group's existing businesses and functions and therefore a separate identification of revenue and results after the acquisition date is impracticable.

The goodwill recognised above is attributable to the expected synergies and other benefits from combining the activities of Gartmore and those of the Group. The intangible assets represent the fair value of investment management contracts acquired, which are being amortised over periods of between four and six years. The trade and other receivables were not impaired at acquisition.

33.2 Disposals

On 1 July 2011, the Group disposed of its investment in WorldInvest Management Ltd., New Star Institutional Managers Limited and New Star Canada Inc. and on 16 December 2011, its investment in Gartmore JV Limited and Hermes GPE LLP.

Notes to the Financial Statements

Group and Company continued

34. Movements in controlled entities

As a result of the acquisition of Gartmore in April 2011, the Group gained control of the following entities during the period ended 31 December 2011:

Name of entity	Date control gained over entity
Asset Management Holdings	4 April 2011
Damian Securities Limited	4 April 2011
G.I.L. Nominees Limited	4 April 2011
Gartmore Capital Management Limited	4 April 2011
Gartmore Cayman Islands Limited	4 April 2011
Gartmore Delaware, Inc.	4 April 2011
Gartmore Distribution Services, Inc.	4 April 2011
Gartmore Fund Managers Limited	4 April 2011
Gartmore General Partner LLC	4 April 2011
Gartmore Global Partners	4 April 2011
Gartmore Group Limited	4 April 2011
Gartmore Investment Japan Limited	4 April 2011
Gartmore Investment Limited	4 April 2011
Gartmore Investment Management Limited	4 April 2011
Gartmore Investment Services GmbH	4 April 2011
Gartmore Investment Services Limited	4 April 2011
Gartmore JV Limited	4 April 2011
Gartmore Nominees Limited	4 April 2011
Gartmore Pension Trustees Limited	4 April 2011
Gartmore Securities Limited	4 April 2011
Gartmore Services Limited	4 April 2011
Gartmore US Holding Company, Inc.	4 April 2011
Gartmore US Limited	4 April 2011
Oxford Acquisition O Limited	4 April 2011
Oxford Acquisition I Limited	4 April 2011
Oxford Acquisition II Limited	4 April 2011
Oxford Acquisition III Limited	4 April 2011
Oxford Acquisition IV Limited	4 April 2011
Oxford Acquisition V Limited	4 April 2011
Oxford Acquisition VI	4 April 2011
Oxford Acquisition VII Limited	4 April 2011
Oxford Acquisition VIII	4 April 2011
Oxford Acquisition IX Limited	4 April 2011
Oxford Acquisition X Limited	4 April 2011
Oxford US Acquisition, LLC	4 April 2011

The Group disposed of Gartmore JV Limited on 16 December 2011.

In addition, the Group acquired Attunga Capital (Singapore) Pte Ltd on 30 October 2011.

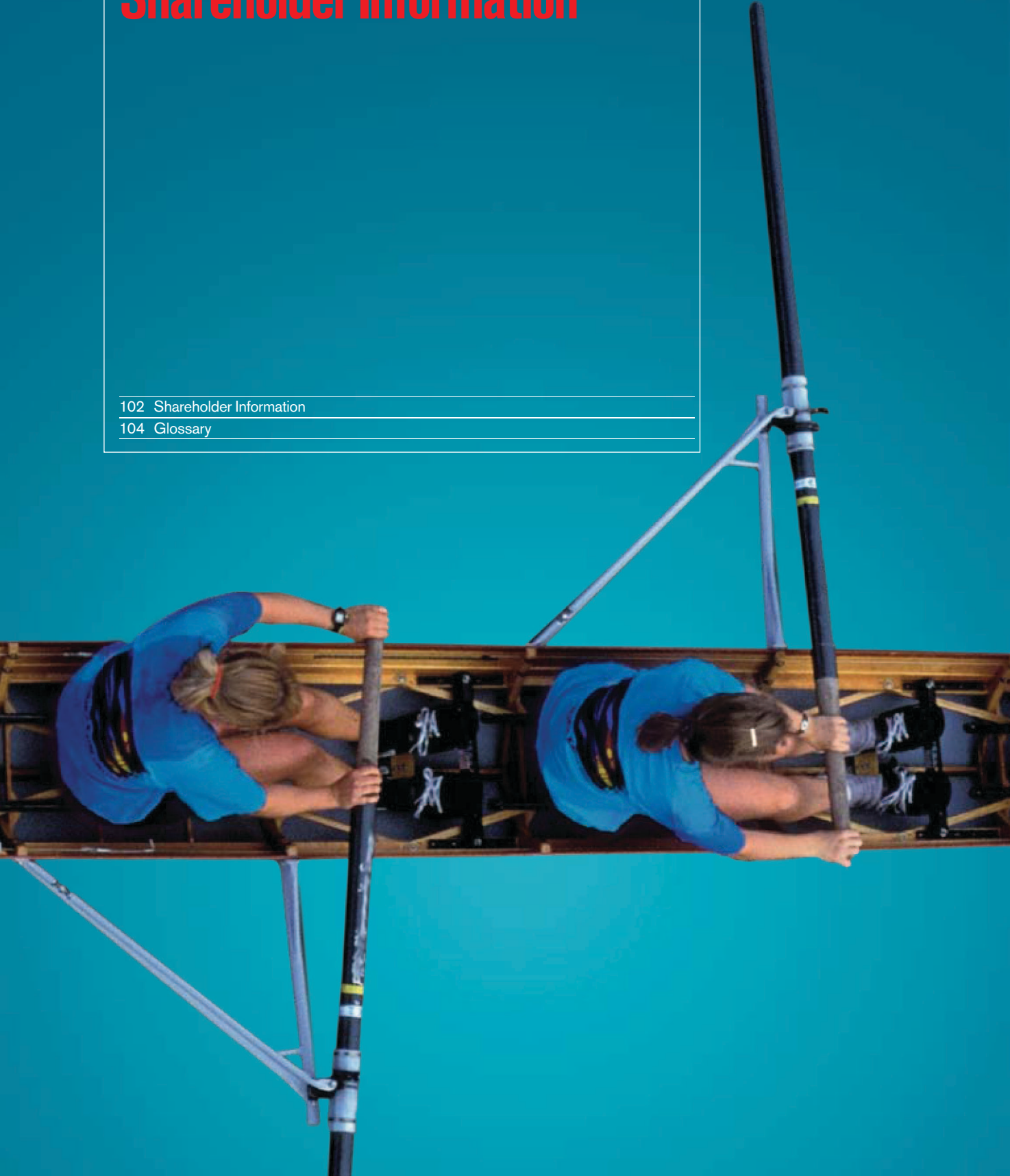
35. Events after the reporting date

The Board has not, as at 28 February 2012, 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 event described below which occurred after the reporting date.

On 3 February 2012, the Group cancelled the remaining £42.6m of its multicurrency term facility, refer to note 20.

Shareholder Information

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Shareholder Information

As at 28 February 2012

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

The issued share capital of Henderson Group plc consisted of 1,101,201,312 shares held by 111,723 security holders. This included 653,805,178 shares, held by CHESS Depositary Nominees Pty Limited (CDN), quoted on the ASX in the form of CHESS Depositary Interests (CDIs) and held by 101,057 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

	Shares/CDIs	% of issued capital
1 National Nominees Limited	146,251,691	13.28
2 J.P. Morgan Nominees Australia Limited	131,294,137	11.92
3 Greenwood Nominees Limited	109,024,016	9.90
4 RBC Dexia Investor Services Australia Nominees Pty Limited	77,143,275	7.01
5 Cogent Nominees Pty Limited	74,545,522	6.77
6 Citicorp Nominees Pty Limited	62,739,593	5.70
7 HSBC Custody Nominees (Australia) Limited	55,680,563	5.06
8 Chase Nominees Limited	55,356,854	5.03
9 HSBC Client Holdings Nominee (UK) Limited	54,092,925	4.91
10 State Street Nominees Limited	50,932,021	4.63
11 HSBC Global Custody Nominee (UK) Limited	41,340,394	3.75
12 Hargreaves Lansdown (Nominees) Limited	19,844,652	1.80
13 Nortrust Nominees Limited	13,859,613	1.26
14 Vidacos Nominees Limited	11,753,401	1.07
15 AMP Life Limited	10,574,503	0.96
16 Australian Reward Investment Alliance	8,649,030	0.79
17 The Bank of New York (Nominees) Limited	7,486,855	0.68
18 Hanover Nominees Limited	7,433,548	0.68
19 BNY Mellon Nominees Limited	4,906,452	0.45
20 Suncorp Custodian Nominees Limited	3,734,763	0.34
Top 20 total	946,643,808	85.96
Total shares	1,101,201,312	100.00

Distribution of share/CDI holdings

Categories	Number of holders	% of issued capital
1 – 1,000	103,563	3.27
1,001 – 5,000	6,429	1.15
5,001 – 10,000	777	0.51
10,001 – 100,000	691	1.64
100,001 and over	263	93.42
Total	111,723	100.00

20,104 share/CDI holders held less than A\$500 worth of shares/CDIs i.e. fewer than 262 shares/CDIs.

Stock exchange listings

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

Substantial shareholders

Details of the Company's substantial shareholders are set out in the Directors' Report on page 27.

Total number of options over unissued shares

There were 19,378,296 options over unissued ordinary shares in the Company held by 860 optionholders.

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 buy-backs were made under this authority in 2011.

Company Secretary

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Glossary

2012 Notes

Senior, unrated fixed rate notes due 2 May 2012

2016 Notes

Senior, unrated fixed rate notes due 24 March 2016

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 Business Model, 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

Code Staff

Employees who perform a significant influence function, senior management and risk takers whose professional activities could have a material impact on a firm's risk profile

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/euro

Euros

ExCo

Executive Committee

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 Practice

Gartmore

Gartmore Group Limited and its controlled entities

Gartmore acquisition

The acquisition of the entire share capital of Gartmore Group Limited

GBP

Pounds sterling

GPS

Gartmore Pension Scheme

Group

Henderson Group plc and its controlled entities

hedge funds

Hedge funds including absolute return funds

Henderson

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

HGPS

Henderson Group Pension Scheme

HLAF

Henderson Liquid Assets Fund

HMRC

HM Revenue & Customs

HR

Human Resources

IAS

International Accounting Standard

IASB

International Accounting Standard Board

IFRIC

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards as adopted by the European Union

IRR

Internal rate of return

JPY

Japanese yen

KPI

Key performance indicator

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 expenses divided by total fee income

Phoenix

Phoenix Group Holdings previously known as Pearl Group Limited

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)

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/dollar

United States dollars



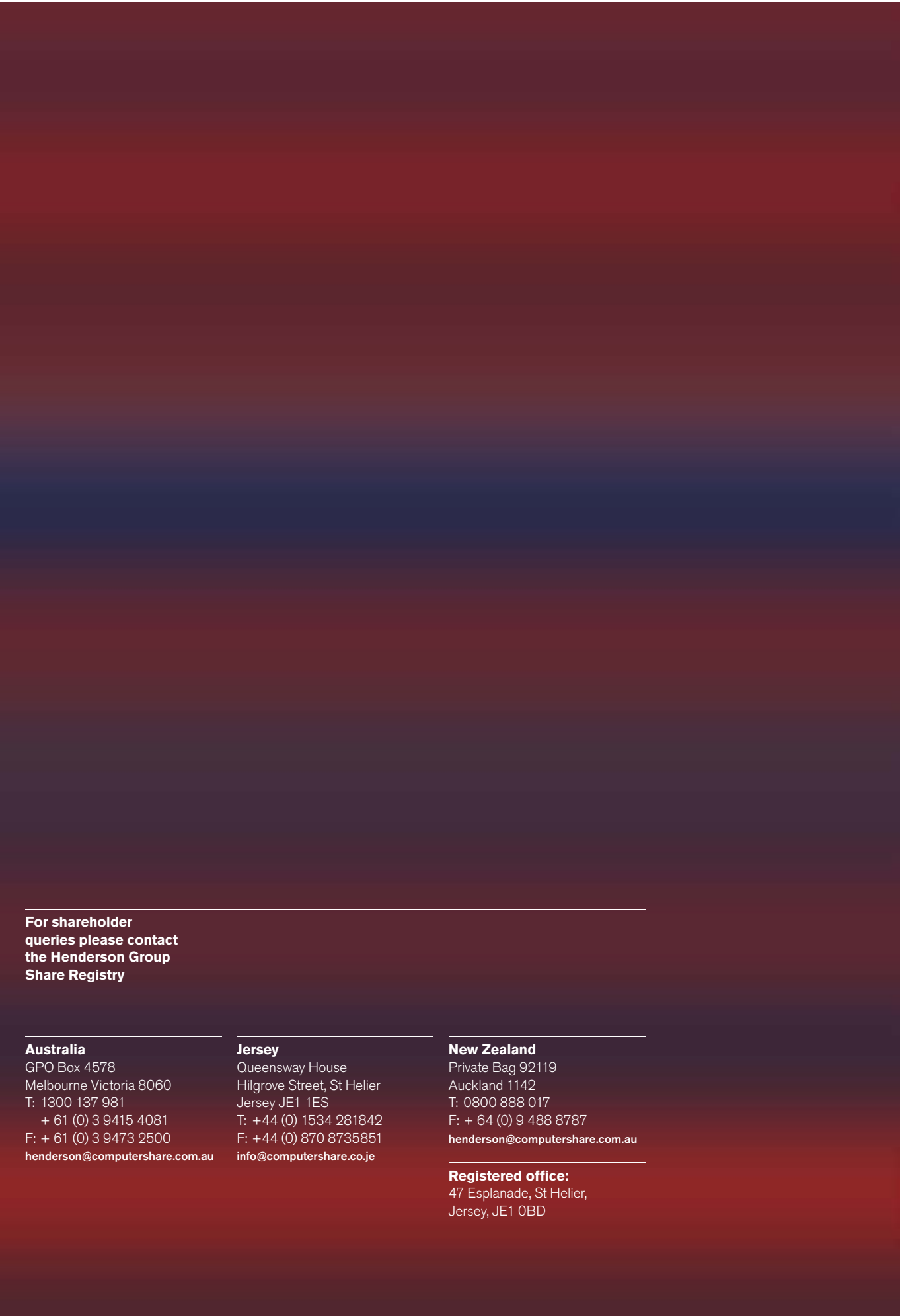
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