

# FULL YEAR RESULTS 2014

25 February 2015

Henderson Group plc (Henderson or the Group) published its Full Year Results for the year ended 31 December 2014 on 25 February 2015. The comments below refer to the period from 1 January 2014 to 31 December 2014 (the period) unless otherwise stated.

## Financial highlights

- Assets under management (AUM) at 31 December 2014 up 8% to £81.2bn (31 December 2013: £75.2bn)
- Net inflows for the year of £7.1bn (2013: £2.5bn)
- Underlying profit before tax from continuing operations of £187.8m, up 13% (2013: £165.5m)
- Diluted continuing underlying EPS of 14.7p, up 13% (2013: 13.0p)
- Capital surplus of £44m<sup>1</sup> without recourse to the waiver from consolidated supervision
- Board recommends a final dividend of 6.40p per share to take the total dividend for the year to 9.00p per share, up 12.5% in sterling terms

## Business update

- Strong investment performance: with 83% of funds outperforming relevant metrics over three years<sup>2</sup>
- Net new money growth from continuing operations of 11%, well ahead of the industry
- Market share gains in our major markets in each quarter of 2014

## Outlook

- Strong start to 2015, with Retail flows to 20 February tracking ahead of 2014 average

Andrew Formica, Chief Executive of Henderson, said:

"Last year was very successful for Henderson. We delivered strong investment returns for our clients, our best ever year of inflows and record profits. We continued to invest in people and new systems, and we expanded our global reach, all of which significantly contributed to the progress we are making to grow and diversify our business.

"This year has started well, with renewed client demand for European assets. As last year's results demonstrate, our business is becoming stronger across market cycles, and we look forward to continued growth in the years ahead."

1. Calculated based on the Group's pillar 2 capital requirement as approved by the Board in its 30 June 2014 ICAAP.

2. Percentage of funds, on an asset-weighted basis, that are outperforming relative to benchmark, percentile ranking or absolute where appropriate and includes Henderson UK Property OEIC.

# Results for announcement to the market

For the year ended 31 December 2014.

These results for announcement to the market include the information required as part of the Preliminary Final Report to be provided to the ASX under Listing Rule 4.3A and Appendix 4E.

The results for Henderson Group plc for announcement to the market are as follows:

£m	Year ended 31 December 2014 (audited)	Year ended 31 December 2013 (audited)	Change %
Revenue from recurring activities	<b>651.2</b>	578.2	+13
Underlying profit after tax from total operations attributable to equity holders of the parent	<b>173.5</b>	169.3	+2
Profit after tax from total operations attributable to equity holders of the parent	<b>258.5</b>	125.1	+107

## Dividends

On 24 February 2015, the board of directors of Henderson Group plc (the Board) recommended a final dividend in respect of the six months ended 31 December 2014 of 6.40 pence per share (2H13: 5.85 pence per share). Henderson Group plc does not offer a dividend reinvestment plan.

	Amount per security pence	Franked amount per security pence
2014 interim dividend (paid on 19 September 2014)	2.60	–
Recommended 2014 final dividend	6.40	–
Record date	8 May 2015	
Payment date	29 May 2015	

Henderson operates a progressive dividend policy, and expects to grow ordinary dividends broadly in line with earnings over the medium term.

## Net tangible assets per ordinary share

	31 December 2014 pence	31 December 2013 pence
Net tangible assets per ordinary share	<b>30</b>	14

Net tangible assets are defined by the ASX as being total assets less intangible assets less total liabilities ranking ahead of, or equally with, claims of ordinary shares.

## Audit

This Appendix 4E has not been audited but is based upon financial statements which have been audited.

The financial statements, together with the audit report, which is unqualified, will be made available with the Henderson Group plc 2014 Annual Report, which will be published on 18 March 2015.

## Results for announcement to the market continued

Amounts in £m unless otherwise stated	Year ended 31 December 2014 (audited)	Year ended 31 December 2013 (audited <sup>1</sup> )	Change %
Management fees (net of commissions)	403.5	331.9	+22
Other income	32.5	34.9	(7)
Performance fees	82.8	94.5	(12)
<b>Net fee income from continuing operations</b>	<b>518.8</b>	461.3	+12
Income from associates and joint ventures	5.1	1.8	+183
Finance income	10.1	10.2	(1)
<b>Net income from continuing operations</b>	<b>534.0</b>	473.3	+13
Employee compensation and benefits	(232.0)	(209.4)	+11
Non-staff operating expenses	(102.6)	(87.3)	+18
<b>Total operating expenses from continuing operations</b>	<b>(334.6)</b>	(296.7)	+13
Finance expenses	(11.6)	(11.1)	+5
<b>Total expenses</b>	<b>(346.2)</b>	(307.8)	+12
<b>Underlying profit before tax from continuing operations<sup>2</sup></b>	<b>187.8</b>	165.5	+13
Underlying profit before tax from discontinued operation	7.6	24.6	(69)
<b>Underlying profit before tax from total operations</b>	<b>195.4</b>	190.1	+3
Acquisition related and non-recurring items from total operations before tax	88.0	(62.7)	+240
<b>Profit before tax from total operations</b>	<b>283.4</b>	127.4	+122
Tax charge on underlying profit from continuing operations	(20.6)	(17.9)	(15)
Tax charge on underlying profit from discontinued operation	(1.3)	(2.9)	+55
Tax (charge)/credit on acquisition related and non-recurring items	(3.0)	18.5	(116)
<b>Total tax charge</b>	<b>(24.9)</b>	(2.3)	(983)
<b>Profit after tax</b>	<b>258.5</b>	125.1	+107
Operating margin <sup>3</sup> (%)	35.5	35.7	(1)
Compensation ratio <sup>4</sup> (%)	44.7	45.4	+2
Earnings per share (non-GAAP) <sup>2, 5</sup>			
Basic <sup>6</sup>	15.4	13.9	+11
Diluted <sup>7</sup>	14.7	13.0	+13

1. The composition of employee compensation and benefits has been reviewed in the year and has resulted in certain items (including training and recruitment agency costs) being reclassified from employee compensation and benefits to non-staff expenses. There is no impact on prior year profits. Prior year comparatives have been restated.
2. Underlying profit, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.
3. Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations.
4. Employee compensation and benefits from continuing operations divided by net fee income from continuing operations.
5. Based on continuing underlying profit after tax attributable to equity owners of the parent.
6. Based on weighted average number of shares in issue less weighted average number of own shares held during the period.
7. Based on weighted average number of shares in issue less weighted average number of own shares held during the period adjusted for the dilutive potential of share awards and share options.

# Results for announcement to the market continued

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## Market briefing

Management will present these results on 25 February 2015 at 7.15pm (Sydney time) / 8.15am (London time).

## Webcast details

You can log on to a webcast of the results briefing which will start at 7.15pm (Sydney time) / 8.15am (London time).

Go to [www.henderson.com/IR](http://www.henderson.com/IR) and click on the relevant link on the homepage. An archive of the webcast will be available shortly after the event.

## Teleconference details

We recommend participants start dialling in 5-10 minutes prior to the start of the presentation.

To telephone link-up to the briefing, dial one of the following numbers from 7.00pm (Sydney time) / 8.00am (London time):

From:

United Kingdom

0800 694 0257 (free call)

Australia

1800 020 199 (free call)

All other countries

+44 (0) 1452 555 566 (this is not a free call number)

Conference title

Henderson Group, Full Year Results Briefing

Conference ID

70776510

Chairperson

Andrew Formica

Replay number from:

United Kingdom

0800 953 1533 Access code: 70776510

All other countries

+44 (0) 1452 550 000 Access code: 70776510

(available from 25 February to 4 March 2015)

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## About Henderson

Henderson is an independent global asset manager, specialising in active investment. Named after its first client and founded in 1934, Henderson is a client-focused global business with over 900 employees worldwide and assets under management of £81.2bn (31 December 2014). Its core areas of investment expertise are European Equities, Global Equities, Global Fixed Income, Multi-Asset and Alternatives.

Henderson is dual-listed on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE) and has a market capitalisation of approximately £3.0 billion (February 2015).

Further information can be found at [www.henderson.com/IR](http://www.henderson.com/IR).

## Forward looking statements

This announcement contains forward-looking statements with respect to the financial condition, results and business of Henderson Group plc. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Henderson's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement. Nothing in this announcement should be construed as, or is intended to be, a solicitation for or an offer to provide investment advisory services.

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# Five year financial summary

	FY14 (audited) £m	FY13 (audited & restated) <sup>8</sup> £m	FY12 (unaudited & restated) <sup>9</sup> £m	FY11 (unaudited & restated) <sup>8</sup> £m	FY10 (unaudited & restated) <sup>8</sup> £m
<b>Income</b>					
Management fees (net of commissions)	403.5	331.9	301.9	309.8	234.3
Other income	32.5	34.9	39.2	48.3	31.6
Performance fees	82.8	94.5	30.4	63.4	42.3
<b>Net fee income from continuing operations</b>	<b>518.8</b>	461.3	371.5	421.5	308.2
Income/(loss) from associates and joint ventures	5.1	1.8	–	(0.9)	0.1
Finance income	10.1	10.2	14.1	11.6	5.8
<b>Net income from continuing operations</b>	<b>534.0</b>	473.3	385.6	432.2	314.1
<b>Expenses</b>					
<i>Fixed employee compensation and benefits<sup>8</sup></i>	<i>(88.4)</i>	(80.6)	(83.3)	(82.3)	(65.3)
<i>Variable employee compensation and benefits</i>	<i>(143.6)</i>	(128.8)	(70.6)	(96.5)	(74.4)
Employee compensation and benefits	(232.0)	(209.4)	(153.9)	(178.8)	(139.7)
Investment administration	(30.2)	(24.4)	(24.8)	(27.2)	(22.3)
Information technology	(17.1)	(17.1)	(14.4)	(13.5)	(12.3)
Office expenses	(15.0)	(13.7)	(13.3)	(13.3)	(12.7)
Depreciation	(4.7)	(3.2)	(2.8)	(2.9)	(3.1)
Other expenses <sup>8</sup>	(35.6)	(28.9)	(35.5)	(39.0)	(37.5)
<b>Total operating expenses from continuing operations</b>	<b>(334.6)</b>	(296.7)	(244.7)	(274.7)	(227.6)
Finance expenses	(11.6)	(11.1)	(14.3)	(17.2)	(8.7)
<b>Total expenses from continuing operations</b>	<b>(346.2)</b>	(307.8)	(259.0)	(291.9)	(236.3)
<b>Underlying profit before tax from continuing operations<sup>13</sup></b>	<b>187.8</b>	165.5	126.6	140.3	77.8
Underlying profit before tax from discontinued operation	7.6	24.6	26.4	19.7	22.5
<b>Underlying profit before tax from total operations<sup>13</sup></b>	<b>195.4</b>	190.1	153.0	160.0	100.3
Tax on underlying profit from continuing operations	(20.6)	(17.9)	(15.3)	(30.2)	(16.0)
Tax on underlying profit from discontinued operation	(1.3)	(2.9)	(4.2)	(3.4)	(4.6)
<b>Total underlying profit after tax<sup>13</sup></b>	<b>173.5</b>	169.3	133.5	126.4	79.7
Acquisition related items	(57.0)	(58.4)	(64.1)	(77.0)	(13.7)
Non-recurring items	145.0	(4.3)	13.8	(69.2)	(10.5)
Tax on acquisition related items	11.2	17.9	18.5	19.4	4.5
Tax on non-recurring items	(14.2)	0.6	4.7	16.2	0.6
Non-recurring tax credit	–	–	–	18.9	16.4
<b>Total acquisition related and non-recurring items after tax</b>	<b>85.0</b>	(44.2)	(27.1)	(91.7)	(2.7)
<b>Total profit</b>	<b>258.5</b>	125.1	106.4	34.7	77.0
<b>Attributable to:</b>					
Equity holders of the parent	258.5	125.1	106.2	34.8	77.5
Non-controlling interests	–	–	0.2	(0.1)	(0.5)
<b>Continuing KPIs</b>					
Operating margin <sup>9</sup> (%)	35.5	35.7	34.1	34.8	26.2
Compensation ratio <sup>8, 10</sup> (%)	44.7	45.4	41.4	42.4	45.3
Average number of full-time employees	875	812	861	838	735
Assets under management (AUM) at year end (£bn)	81.2	63.7	53.9	52.7	51.6
Average AUM for the year (£bn) for margin calculations on continuing basis	69.9	59.0	53.4	56.2	47.7
Management fee margin (bps)	57.8	56.3	56.5	55.1	49.1
Total fee margin (bps)	74.3	78.2	69.6	75.0	64.6
Net margin <sup>11</sup> (bps)	26.9	28.1	23.7	25.0	16.3
<b>Basic and diluted earnings per share (EPS)</b>					
Weighted average number of ordinary shares for basic EPS (m)	1,085.2	1,058.8	1,034.0	954.1	788.4
Weighted average number of ordinary shares for diluted EPS (m)	1,139.8	1,137.0	1,082.0	1,012.7	849.2
Basic on total underlying profit <sup>12, 13</sup> (p)	16.0	16.0	12.9	13.3	10.2
Basic on continuing underlying profit <sup>12, 13</sup> (p)	15.4	13.9	10.8	11.6	7.9
Basic (p)	23.8	11.8	10.3	3.6	9.8
Diluted on total underlying profit <sup>12, 13</sup> (p)	15.2	14.9	12.3	12.5	9.4
Diluted on continuing underlying profit <sup>12, 13</sup> (p)	14.7	13.0	10.3	10.9	7.3
Diluted (p)	22.7	11.0	9.8	3.4	9.1
Dividend per share (p)	9.00	8.00	7.15	7.00	6.50
<b>Investment performance<sup>14</sup></b>					
Funds at or exceeding benchmark over one year (%)	66	78	73	59	70
Funds at or exceeding benchmark over three years (%)	83	82	69	66	62

# Summary of movements in AUM

		1Q14 – 3Q14					4Q14			
£m	Closing AUM 31 Dec 2013	Net flows	Acquisitions & Disposals <sup>1</sup>	Mkt/FX	Closing AUM 30 Sep 2014	Net flows	Acquisitions & Disposals <sup>1</sup>	Mkt/FX	Closing AUM 31 Dec 2014	
<b>Retail</b>										
UK OEICs/Unit Trusts/ Other	18,706	2,369	–	492	<b>21,567</b>	395	(1,975)	628	<b>20,615</b>	
SICAVs	10,607	2,408	–	92	<b>13,107</b>	657	–	407	<b>14,171</b>	
US Mutuals	5,009	982	–	17	<b>6,008</b>	(201)	–	198	<b>6,005</b>	
Investment Trusts	4,931	149	–	(8)	<b>5,072</b>	51	–	93	<b>5,216</b>	
<b>Total Retail</b>	<b>39,253</b>	<b>5,908</b>	<b>–</b>	<b>593</b>	<b>45,754</b>	<b>902</b>	<b>(1,975)</b>	<b>1,326</b>	<b>46,007</b>	
<b>Institutional</b>										
UK OEICs/Unit Trusts	7,736	1,000	–	287	<b>9,023</b>	(213)	–	283	<b>9,093</b>	
SICAVs	1,341	51	–	16	<b>1,408</b>	(116)	–	(26)	<b>1,266</b>	
Offshore Absolute Return Funds	2,466	(22)	17	57	<b>2,518</b>	9	–	(14)	<b>2,513</b>	
Managed CDOs	387	(95)	–	(18)	<b>274</b>	(22)	–	(1)	<b>251</b>	
Segregated Mandates and Property	23,158	(572)	(11,752)	598	<b>11,432</b>	(54)	3,391	761	<b>15,530</b>	
TH Real Estate (40%) share	–	152	5,056	90	<b>5,298</b>	262	–	90	<b>5,650</b>	
Private Equity Funds <sup>2</sup>	869	(28)	–	9	<b>850</b>	(26)	–	(1)	<b>823</b>	
Other <sup>3</sup>	26	2	–	1	<b>29</b>	–	–	–	<b>29</b>	
<b>Total Institutional</b>	<b>35,983</b>	<b>488</b>	<b>(6,679)</b>	<b>1,040</b>	<b>30,832</b>	<b>(160)</b>	<b>3,391</b>	<b>1,092</b>	<b>35,155</b>	
<b>Total Group</b>	<b>75,236</b>	<b>6,396</b>	<b>(6,679)</b>	<b>1,633</b>	<b>76,586</b>	<b>742</b>	<b>1,416</b>	<b>2,418</b>	<b>81,162</b>	
<b>By asset class</b>										
Equity <sup>4</sup>	42,204	5,022	17	578	<b>47,821</b>	(131)	1,414	1,602	<b>50,706</b>	
Fixed Income <sup>5</sup>	19,090	461	(106)	862	<b>20,307</b>	362	2	651	<b>21,322</b>	
Property <sup>6</sup>	13,055	948	(6,590)	183	<b>7,596</b>	534	–	165	<b>8,295</b>	
Private Equity <sup>2</sup>	887	(35)	–	10	<b>862</b>	(23)	–	–	<b>839</b>	
<b>Total Group</b>	<b>75,236</b>	<b>6,396</b>	<b>(6,679)</b>	<b>1,633</b>	<b>76,586</b>	<b>742</b>	<b>1,416</b>	<b>2,418</b>	<b>81,162</b>	
<b>By capability</b>										
European Equities	13,299	1,945	–	(159)	<b>15,085</b>	(50)	–	230	<b>15,265</b>	
Global Equities	19,810	1,179	–	682	<b>21,671</b>	(491)	3,367	1,184	<b>25,731</b>	
Global Fixed Income	17,275	261	(106)	544	<b>17,974</b>	559	24	639	<b>19,196</b>	
Multi Asset	6,430	305	–	166	<b>6,901</b>	98	(1,975)	187	<b>5,211</b>	
Alternatives <sup>7</sup>	18,422	2,706	(6,573)	400	<b>14,955</b>	626	–	178	<b>15,759</b>	
<b>Total Group</b>	<b>75,236</b>	<b>6,396</b>	<b>(6,679)</b>	<b>1,633</b>	<b>76,586</b>	<b>742</b>	<b>1,416</b>	<b>2,418</b>	<b>81,162</b>	
<b>Absolute Return analysis</b>										
Retail	1,924	1,332	–	(16)	<b>3,240</b>	95	–	60	<b>3,395</b>	
Institutional	3,084	282	17	(75)	<b>3,308</b>	(46)	–	(40)	<b>3,222</b>	
<b>Total Absolute Return</b>	<b>5,008</b>	<b>1,614</b>	<b>17</b>	<b>(91)</b>	<b>6,548</b>	<b>49</b>	<b>–</b>	<b>20</b>	<b>6,617</b>	

1. Acquisitions and disposals include the disposal of the Property business and recognition of the Group's share of TIAA Henderson Real Estate Limited on 1 April 2014; the Group's share of an increased holding in 90 West Asset Management Limited; the acquisition of Geneva Capital Management on 1 October 2014; and, the disposal of Intrinsic Cirilium Investment Company Limited on 1 December 2014.

2. Private Equity funds' closing AUM is based on 30 September 2014 valuations.

3. Other includes US Mutuals together with Australian managed investment schemes.

4. Equities asset class includes Multi-Asset and Commodities.

5. Fixed income includes Cash.

6. Includes AUM of the Henderson UK Property OEIC which remains with the Group following establishment of the TH Real Estate joint venture.

7. Includes Henderson UK Property OEIC and Private Equity AUM and reflects Henderson's share of the TH Real Estate AUM.

8. Certain items (including training and recruitment agency costs) have been reclassified from employee compensation and benefits to other expenses. There is no impact on prior year profits. Prior year comparatives have been restated.

9. Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations.

10. Employee compensation and benefits from continuing operations divided by net fee income from continuing operations.

11. Net margin calculated on underlying profit before tax from continuing operations.

12. Based on underlying profit after tax attributable to equity owners of the parent.

13. Underlying profit, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.

14. Asset-weighted performance of funds measured over one and three years to 31 December 2014. Performance for 2013 and 2014 includes Henderson UK Property OEIC – all prior periods include Property and Henderson UK Property OEIC performance.



# Chief Executive's review

## Investing for our clients

Our 80th anniversary celebrations this year gave us opportunity to reflect on Henderson's distinguished history of pioneering products, global investment horizons and valued relationships with clients and counterparties. For me, the single most important aspect of our history is that we were named after our first client. This reminds each of us, every day, to put the client first.

## What did we deliver for our clients in 2014?

At the heart of what every asset manager aspires to deliver to their client is a high quality investment process and consistently strong investment returns. At Henderson, 83% of our funds outperformed over the three year period our clients monitor most closely, with two thirds outperforming over the more volatile one year period.

### Investment performance by core capability

	1 year	3 years
European Equities	●	●
Global Equities	●	●
Global Fixed Income	●	●
Multi-Asset	●	●
Alternatives	●	●
<b>Total</b>	66% ●	83% ●

● 1st quartile ● 2nd quartile ● 3rd quartile ● 4th quartile

In equities, our managers delivered exceptional performance across a broad range of strategies in European Equities, which meant that even in falling markets we gained market share in the second half of 2014. Performance in Global Equities was more varied, with income and cautious managed styles delivering strong performance for clients, but our new Global Equities team suffered performance setbacks after a strong first year. Fixed Income performance pulled back from its 2013 levels, as government bond markets stayed stronger than our teams anticipated. However, the new recruits to our Fixed Income business contributed well, with the Henderson Horizon Global High Yield Bond Fund delivering first decile performance in its first calendar year.

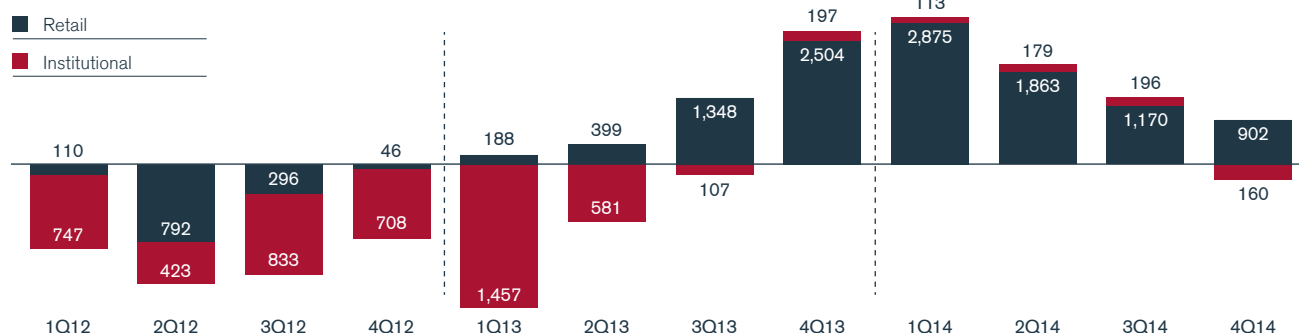
Multi-Asset portfolios delivered solid performance and in Alternatives, our flagship equity long/short funds succeeded in providing better defensive investment options than many of our peers – an attractive characteristic in the difficult market conditions seen in the second half of the year. In short, we delivered impressive investment performance across a broad range of strategies.

Investment process and performance form the bedrock of what we deliver to our clients, but strong, sustainable client relationships are equally important, especially as activities to maintain and enhance these connections continue to evolve. We have always worked with our largest clients to develop new investment ideas. As our product design process evolved this year, we sought client feedback at the design stage of a series of new strategies to meet current and future demand, which led to us launching new funds focused on global and emerging markets corporate bond strategies. In the intermediated Retail markets, we also increased the level of information and insight we source from our clients' end customers, commissioning research into evolving customer needs and inviting 300 of our end customers to sit on a Customer Panel to share their views on a range of topics.

We made significant steps forward in the quality of the reporting we provide to our clients, particularly online, where video is challenging the written word in popularity. It is no longer sufficient for a portfolio manager to invest wisely: he or she also needs to communicate well. During the course of this year, our managers shared their insights through thought leadership pieces and fund commentaries, and also on video, which led to a surge in monthly page views on our award-winning digital platform. Our aim is to share our perspectives with our clients, to enable them to understand our thinking and use it to shape their own decisions. During the course of this year, we re-launched our brand around the *Knowledge. Shared* proposition. This is aimed at providing unrivalled levels of thought leadership, transparency and service; attributes that clients tell us add the most value to them. Relationships with clients are being transformed into partnerships.



## Retail and Institutional total net fund flows by quarter – FY12 to FY14 (£m)



### What were the results of this client-focused approach?

2014 has seen a significant improvement in net client inflows, which I attribute to three main factors: markets, products and service.

The year started exceptionally strongly for us, with a resurgence of demand for European equities. It is testament to the tenacity of our distribution teams, who continued to share our knowledge of European equities with clients while the region was out of favour, that we attracted more than our share of new business when European equities came back into vogue. 2014 also demonstrated the strategic success of our past acquisitions. Up until this point, we had seen the financial benefits of the New Star (2009) and Gartmore (2011) acquisitions in cost synergies and improved profitability. During 2014, client confidence in our newly integrated business manifested itself in increased flows, with over half of our flows in the period coming from products or managers who joined Henderson as a result of these acquisitions.

As the year progressed, the diversity of our product line helped sustain net inflows as market conditions became more volatile. Eighteen Retail funds saw net inflows this year of over £100m, across a broad range of capabilities – European Equities, Global Equities, Global Fixed Income and Alternatives. The diversity of our product lines stood us in good stead in the second half of the year, when clients switched from high beta styles into more defensive investments. Our top selling Retail funds in the second half reflected reduced client appetite for risk, demand for income and the defensive characteristics of absolute return.

Our plans to diversify and balance our product lines are more advanced in some regions than in others. Our UK Retail business is the poster child in this respect, and generated net inflows of £2.8bn this year. Top selling UK Retail funds include Henderson UK Property, Henderson Cautious Managed, Henderson Euro Selected Opportunities, Henderson European Focus, Henderson

UK Absolute Return, Henderson Strategic Bond and Henderson Multi Manager Income and Growth. By contrast, our US Mutuals business had a very successful first half selling European equities, but did not have a broad enough product range to continue to capture flows once client demand for European equities subsided. We are on the cusp of being able to broaden our US client offer, with our All Asset and Dividend and Income Builder funds reaching their three year track records in 2015, two further funds reaching three year track records in 2016 and an additional three in 2017, including US Growth Opportunities with input from Geneva Capital Management, acquired in October.

Client inflows this year were predominantly driven by our strong Retail businesses in the UK, Continental Europe, the US and Latin America. Our Institutional business made steady progress but needs global product and geographic diversification outside the UK for flows to accelerate. We started to see some early success this year, with inflows from the US, Australia and Japan, as well as the UK and Continental Europe.

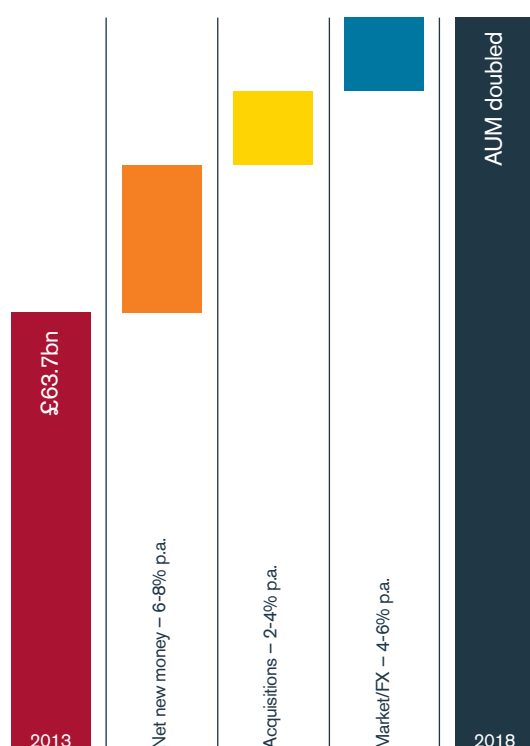
Our Institutional business saw a net outflow in the fourth quarter, because of client withdrawals from Geneva Capital Management funds in the immediate aftermath of the change in ownership. Whilst this was unexpected, I am very comfortable with the progress we have made with Geneva since the acquisition closed in October.

Net growth in new client money is, for me, the most significant measure of success in our business. We have done well this year both on an absolute basis, and in relative terms. Industry sources confirm that we have gained market share in major markets such as UK, European and US Retail, which reinforces my view that our client-focused approach is proving successful.

### This time last year, we articulated a strategy based on growth and globalisation. How are we doing?

This time last year, I set out a strategy based on strong organic growth and modest acquisitions, the output of which, assuming helpful markets, will be to double our assets under management by 2018. Publicly communicating a quantifiable objective is a risk, I acknowledge, but it has acted as a clear and effective rallying cry for everyone in Henderson.

### Doubling assets under management



2014 was a year of carefully targeted organic investment in diversification by product, channel and geography, as well as strategic moves to structure our business around our core capabilities.

Alternatives is an area where we are changing the shape of our business to focus on the liquid end. The IPO of John Laing in February 2015 marked an important step towards our exit from Private Equity. Our Private Equity business delivered disappointing returns for some clients because of very difficult market conditions during and after the 2008 global financial crisis. Although this outcome is clearly not what we hoped for, we have done everything in our power to preserve and maximise value for clients.

Elsewhere in our business, we continued to build on longstanding initiatives to stimulate growth. We hired investment specialists in Asian equities, US investment grade credit, and emerging markets to round out our investment management capabilities. We built out our Australian operation; we refreshed our brand; and we delivered the first phase of our new global finance platform. Given the scale of new investments made this year, we expect 2014 to represent the high point in our expenditure on new initiatives. We are currently carrying the cost of new teams which earn very little revenue, particularly in investment management, where it will take at least three years for them to build a track record.

A personal area of focus for me this year has been to stimulate the flow of new blood and new ideas into Henderson, right through the firm from my senior team to graduate recruits. It is a particular pleasure to welcome Rob Gambi as Chief Investment Officer. Rob is a bold, talented team leader, who has already made an impact on the investment floor. While investment decisions remain the preserve of individual investment managers, Rob has galvanised management decision making and brought a strong risk-focused challenge and debate to the investment discussions. His arrival completes my senior team.

Equally important to me is the success of the Henderson Trainee Programme, part of the Investment 2020 initiative to create more entry level opportunities into fund management. Henderson's programme is aimed at recent graduates, school leavers and those looking for a career change and offers the opportunity to join us on a short-term basis of up to 12 months. 120 trainees have completed our programme since its inception in 2010, and 90% of them have gone on to secure permanent roles within our industry. Our Trainee Programme is not about altruism: it is run for true commercial benefit.

### Geneva Capital Management

Small acquisitions have a key role to play in delivering our strategy, where we see opportunities to accelerate growth. In October 2014, we completed the acquisition of Geneva Capital Management, the US growth equity manager. This was an important strategic milestone for our North American business. Geneva brings proven investment expertise in mid- and small-cap US high quality growth equities to add to Henderson's international capabilities, and a predominantly institutional client base which complements Henderson's strong US Retail presence. Most significantly, Geneva's investment-led culture complements Henderson's, and the two teams are already working well together to build a US business where the whole is bigger than the sum of the parts.

Ours is an industry at risk from disruptive technology, narrow-mindedness and complacency. An injection of youth into our workforce helps guard against these risks.

Having launched our growth and globalisation strategy last year, I am delighted with the first year's results. Roger Thompson's financial review covers our results in detail, so suffice for me to say that net new money growth came through very well, despite muted market returns in the second half, and we maintained a disciplined approach to investing in our business. We delivered a 13% rise in underlying profit. Looking back, I hope we will see 2014 as a pivotal year for Henderson, when we invested well for profitable future growth.

## What are our priorities for 2015?

With 2014 marking the high point of our significant investment programme, 2015 is about delivery. Our strategy is clear and well embedded within our business. Our focus now is to deliver what we know we are capable of. Key to achieving this is maintaining strong relationships with our clients, which in turn should lead to high retention rates and strong new business growth. Our focus on investment performance is unrelenting.

Here, then, are our priorities for 2015:

- Continue to deliver for our clients – which in turn will drive new business and enable us to gain market share
- Monitor and support our new investment teams as they establish their track records
- Continue to build our business geographically
- Continue to look for attractive small scale acquisitions to accelerate growth
- Demonstrate the operating leverage in our business model.

We will maintain a disciplined approach to use of capital, and enter 2015 ready to operate without recourse to the investment firm waiver from consolidated supervision, which expires in April 2016. Our next priority is to build the level of capital buffer prescribed by the Board, above which I see no requirement to hold additional capital. Once a robust capital position is achieved, I look forward to the increased flexibility to redeploy capital to:

- fund organic growth and globalisation
- supplement organic growth with value accretive acquisitions
- increase returns to shareholders.

## What are the key risks to delivering our strategy?

I am often asked about the key risks to the success of our strategy. We manage risks within our business actively and diligently, as Chief Risk Officer, Chris

Chaloner reports in his section starting on page 15, but I am also very conscious of the potentially detrimental effect on our plans of external factors – notably markets and regulation.

The rise in volatility we have seen in financial markets in the latter months of 2014 is likely to be a persistent feature in 2015, as markets adjust to disruptive changes in the economic and political landscape. This is a year in which politics could have a greater influence than usual on investor confidence, with a number of key elections taking place in the major economies, against a backdrop of growing support for non-mainstream parties in many countries.

On the positive side, central banks remain focused on sustaining the global recovery and with the drag from fiscal tightening receding globally and the drop in the oil price providing further support, 2015 could be a year of positive growth surprises, after four years of growth downgrades. This is a year for active investment managers to make their mark.

Regulatory change continues to challenge us, and it is comforting to work in a business with the scale, expertise and track record to navigate the regulatory landscape carefully. The implications of unbundling research from dealing commissions as part of MiFID II in Europe are still being worked through, and represent the greatest regulatory challenge for us at present.

## Outlook for 2015 and beyond

We enter 2015 with good momentum, knowing that we are gaining market share in our major markets. I am confident that we can continue to generate strong organic growth, principally from our current diverse product range, but increasingly from new initiatives as they build their long-term track records.

Key to our success in 2015 and beyond is staying true to our clients and true to our brand, encapsulated in the *Knowledge. Shared* brand proposition. Throughout this Annual Report, we have showcased portraits of our current clients as well as that of our founding client, Alexander Henderson, to illustrate the continuing importance we attribute to the views of our clients. This unrelenting focus on the client is central to our 80 year history, and remains key to our future success.

I would like to conclude by thanking all of the Henderson team for their hard work this year, our shareholders for their support, and our clients for trusting us with their money.

**Andrew Formica**  
Chief Executive

# Distribution and client service

This year's Annual Report showcases our clients, from our very first, Alexander Henderson, who we were named after, through to the present day, because we must never forget whose money we look after. The Annual Report also showcases our refreshed brand, which we launched globally in 2014. In the course of the year, we updated the look and feel of our written materials, advertising and websites; positioned Henderson as a sophisticated and aspirational company to an increasingly institutionalised target market; and began to live and develop our core brand proposition – *Knowledge. Shared.*

Prominent throughout Henderson is the mantra that our clients' needs are at the heart of everything we do. We continue to strive to meet or exceed the expectations of our clients and their customers and to embed the fair treatment of customers into the firm's business model. We have an active client engagement programme that helps us improve our understanding of client needs through our research programme, enabling us to directly feed back into both product design and literature the views of our customers. This in turn allows us to ensure that not only do clients get the products that are most suitable for them, but they also get updates and communications in a format that suits them.

For example, in our institutional business, close co-operation with a UK-based life insurance company resulted in the creation of a specifically tailored global credit product, closely matching the needs of their underlying clients. In retail the direct customer feedback through our surveys enabled us to launch guides to help with understanding on certain products, such as absolute return and bond investing. As I write, we are working on a guide to charging which our clients have highlighted they would like more clarity on.

As ever, the main driver of new business remains the quality of our core product offering: that is, risk adjusted returns and the quality of our investment processes. Investment performance has remained strong across our five core capabilities in 2014, and has driven significant net fund inflows into a wide range of strategies.

## Our distribution and client service operation

Distribution and client service at Henderson sits at the centre of our business, and comprises sales, marketing, investment and client communications, client service, product strategy and development and brand management – 27% of our staff across 14 locations worldwide. Our distribution capabilities are critical to the success of our strategy.

### Distribution strategy

Our distribution strategy, which I outlined to the investment community in the course of 2014, contributes significantly to each of the Group's four major strategy workstreams and can be summarised as follows:

Performance, and the perception of performance, is critical to long-term success

Consistently strong investment performance is critically important to clients. Once you have established a reputation and a brand associated with strong performance, this will strengthen the loyalty of clients.

Global product development is a key success driver  
Product development is about creating options to respond to client demand, however it evolves. Not all product ideas will ultimately prove successful. We operate a disciplined global process, which helps us prioritise systematically, allocate our resources, back our winners and cut initiatives if they prove irrelevant to our clients.

Our brand needs to convey a confident, aspirational but believable image. I am delighted with the progress we have made this year, principally with our updated brand. The feedback has been universally positive with the new website winning a number of awards.

### Distribution structure is based around client types

This is extremely important when it comes to ensuring that client-facing people at Henderson understand who they are dealing with, and what clients' needs are and why, and are able to deliver tailored levels of service.

### Quality of people determine the quality of success

This is critical. Since I first arrived at Henderson, I have focused on upgrading the quality of our people across distribution, across functions and across the globe and now have the strongest distribution team I have ever worked with in nearly 30 years – dedicated to Henderson's clients and servicing their needs.

## Case study

Henderson Horizon Euro Corporate Bond Fund is just one example of how we have recently built a successful franchise.

Launched in 2009, the fund was a new idea and franchise for Henderson, to be marketed primarily in Europe. The fund's first anniversary marked the beginning of marketing activities to support sales efforts which aimed to re-establish Henderson's reputation as a fixed income fund manager.

2011 through 2013 saw high client interest in credit funds and Henderson's marketing activity was expanded through events and frequent fund management thought leadership communications. This increased level of marketing drove the profile of the fund and combined with strong performance, new business sales have flowed in to the fund.

The Henderson Horizon Euro Corporate Bond Fund is now £2.2bn in size, the second best-selling fund in the sector over the past three years and one of the top 10 funds in terms of asset size with a market share of just over 2%.

## Teamwork and collaboration are critical in a global market

We have reinforced these behaviours in our compensation schemes because in distribution teams there is a direct link between compensation and output. We have introduced globally consistent, discretionary compensation wherever local market practice allows, to influence behaviour and promote teamwork in line with our distribution strategy.

## We invest in our core franchises

This takes time, patience and persistence, as the case study opposite shows.

## Key client themes

The diagram overleaf describes who our clients are, globally. This time last year, I described the key themes which we saw influencing their buying decisions, noting that we believed that these themes had a number of years to run. The majority of 2013's identified themes remain relevant today. Here is an update on these themes, including how we have been developing our competitive position to take advantage of these opportunities.

### Search for income

With low returns on cash savings combined with demographic trends, there is increasing demand for income-generating products, whether in the form of corporate bond funds or equity income products. During 2014, we broadened the appeal of our highly successful Global Equity Income strategy by launching it in different wrappers, for example as a Luxembourg SICAV to make it accessible to

European, Asian and South American investors. We have continued to develop higher yielding and successful income generating fixed income products, with the launch of an emerging market corporate bond fund during the year, and posted excellent performance in our US and global high yield funds.

We also increased the profile of Global Equity Income with a major thought leadership initiative – the Henderson Global Dividend Index. Released quarterly, it is a long-term study into global dividend trends – the first research of its kind – providing regional and industry insight into the progress global firms are making in paying investors an income on their capital. In 2014, dividends from companies worldwide reached a record US\$1.2 trillion.

### Globalisation

We continue to see investors, retail and institutional, survey the global marketplace when searching for the best returns rather than being constrained by their domestic market. This is manifesting itself in demand for global strategies such as Global Equity Income, Global Equity, Global Credit, Global High Yield and Global Natural Resources. We have continued to invest in all of these strategies in 2014. We believe the reduction in allocations to global emerging markets is temporary, and have used the lull in demand as an opportunity to build our teams, recruiting new heads of Emerging Markets Equities and Fixed Income in the course of the year.

## Henderson's global clients



North America		UK		Asia	
Retail	Institutional	Retail	Institutional	Retail	Institutional
<ul style="list-style-type: none"><li>Wire houses</li><li>Wholesale platforms</li><li>Registered investment advisers</li></ul>	<ul style="list-style-type: none"><li>State pension funds</li><li>Corporate pension funds</li></ul>	<ul style="list-style-type: none"><li>Financial advisers</li><li>Platforms</li><li>Discretionary wealth managers</li><li>Private investors</li></ul>	<ul style="list-style-type: none"><li>Local authority pension funds</li><li>Corporate pension funds</li><li>Institutions</li></ul>	<ul style="list-style-type: none"><li>Banks</li><li>Distribution partnerships</li><li>Discretionary wealth managers</li><li>Private banks</li></ul>	<ul style="list-style-type: none"><li>Pension funds</li><li>Institutions</li><li>Sovereign wealth funds</li></ul>
Henderson distribution team: 40		Henderson distribution team: 150		Henderson distribution team: 24	
Latin America		Continental Europe		Australia	
Retail	Institutional	Retail	Institutional	Retail	Institutional
<ul style="list-style-type: none"><li>Banks</li><li>Discretionary wealth managers</li></ul>	<ul style="list-style-type: none"><li>National pension funds</li></ul>	<ul style="list-style-type: none"><li>Platforms</li><li>Banks</li><li>Insurance companies</li><li>Discretionary wealth managers</li></ul>	<ul style="list-style-type: none"><li>Local authority pension funds</li><li>Corporate pension funds</li><li>Institutions</li><li>Sovereign wealth funds</li></ul>	<ul style="list-style-type: none"><li>Banks</li><li>Platforms</li><li>Financial advisers</li></ul>	<ul style="list-style-type: none"><li>Super funds</li><li>Self managed superannuation funds</li><li>Institutions</li><li>Charities</li></ul>
Henderson distribution team: 2		Henderson distribution team: 31		Henderson distribution team: 5	



### Absolute return

There continues to be very significant demand globally for absolute return products – products designed to have low correlations to equities markets and lower volatility, whilst still aiming to produce positive market returns through the investment cycle. Low returns on cash and bonds are driving demand for higher returns without full equity market risk. At Henderson, we are able to take advantage of this through both our onshore and offshore fund ranges and market a mix of strategies, from equity long/short to alternatives such as agriculture and commodities. We have a strong hedge fund sub-brand in AlphaGen, recognised globally with awards such as Best Overall Group at the Hedge Fund Review European Performance Awards. We were also delighted to see our commodities-related hedge fund strategies pass US\$1bn in AUM during this year.

### Institutionalisation of the fund buying process

As I highlighted last year, one of the main changes resulting from the Retail Distribution Review in the UK and the growing profile of private banking across the globe is that the process of fund selection in the retail marketplace is now much more rigorous and akin to the institutional selection process. This means a great deal of in-depth research by fund panels and investment committees the world over. This fits well with Henderson's approach, as all of our investment strategies have stringent processes behind them with an overlay of an extremely strong risk management framework suited to this type of buyer.

### Concentration of fund flows

As a result of increasingly institutionalised fund buying, combined with a flight to the safety and security perceived to be offered by bigger brands and funds, there has been an increasing amount of flow into fewer funds. Data from Morningstar shows that in the 12 months to December 2014, the top 1% of global funds attracted inflows of US\$1.3 trillion. Six of Henderson's funds were in this top one percentile.

We are in a 'winner takes all' market. This is a trend which we recognise and have built into our distribution strategy, ensuring we support the marketing of prospective winners but also being bold enough to reduce activity when a strategy does not gain traction. For example, we continued to talk about European equities in the US when this strategy was deeply out of favour, and reaped the benefits in late 2013 and early 2014 when the US re-invested in Europe. In the UK, our Property fund now holds the coveted number one slot.

### Multi-Asset investing

A key theme in the UK and an increasing trend globally is the desire to outsource a combination of asset allocation and stock or fund selection. This has given rise to larger inflows into investment solutions strategies, and Henderson has been at the forefront of this trend using the skills of our Multi-Asset team. We have expanded the reach of our Multi-Asset team during 2014 and are now focusing on Institutional as well as Retail clients.

The one key theme which I highlighted last year which did not remain current throughout all of 2014 was global demand for European equities. This tailed off in the second half of 2014, but remains an important theme in the longer term and Henderson remains very well placed for a future turnaround, with one of the strongest European teams of any asset manager. It was also pleasing to see Henderson continue to gain market share of net flows in the second half, despite a reduction in demand for European equities, which is testament to the quality of our performance and record in this area.

## Progress to date and next steps

I am now three years into delivering our five year plan to upgrade our distribution capabilities. Here are the key elements of our progress to date:

### Recognising and nurturing our core franchises

Henderson is a firm with global aspirations, successfully expanding from a strong UK base. 2014 has seen exceptional market share growth in our UK business, with strong flows into a diversified range of products including Henderson UK Property, Henderson Cautious Managed, Henderson European Focus, Henderson European Selected Opportunities, Henderson UK Absolute Return, Henderson Multi-Manager Income and Growth and Henderson Strategic Bond. We are committed to protecting and growing this diversified base. As the Chairman mentions in his opening remarks, we are privileged to have a 50 year track record in investment trusts, which we can point to in developing our retail open-ended funds business in areas such as Europe and Latin America.

### Making sure we are well resourced with talented people in growth markets

The two markets where we have seen most progress this year are Australia and the US. Our Australian office is now fully staffed with an excellent team, has launched global equity and fixed income products for the institutional market and is starting to build a retail presence. Our Australian commodities funds are starting to build traction inside and outside Australia. In North America, our growth strategy was accelerated this year with the acquisition of Geneva Capital Management. Geneva's expertise and relationships boost Henderson's Institutional presence in the US, complementing our existing Retail strength – we have plans to bring their expertise to other funds around the globe in due course.

### Globalising the product suite

Key developments this year include building track records in global equities and fixed income, and broadening our US Mutuals product range. We are continuing the evolution towards a global asset management business and have hired new investment talent which will provide our clients with new investment capabilities, including Global Natural Resources, Asian Equities, Global Credit, Emerging Market Debt, US Equities, Global High Yield and Emerging Markets Equities.

### Rebranding the business and increasing our marketing impact

Our brand refresh was a significant step forward this year, and we have also increased our direct client contact with a record number of client events.

Over the next year, we will continue to develop each of these elements. Additionally, we see opportunities to grow our retail networks in Continental Europe and Latin America, and we have more work to do in Asia.

People often ask me to characterise Henderson's competitive advantage – a difficult question to answer for asset managers. We all rely on essentially the same elements – investment performance; the right people, products and relationships; a strong client service ethic; and a respected brand. What tends to mark out the winners from the losers is execution. I am delighted with the progress Henderson has made this year on behalf of our clients, and believe we have the people, products and processes we need to continue to deliver to our clients.

# Financial review

## Financial performance

2014 has been a successful year for Henderson.

We delivered strong investment performance for our clients, grew our client base, and invested in our business to make progress towards our strategic goals of growth and globalisation. In a world of increasing accounting complexity, my review aims to distil our financial statements into key business insights.

The Group achieved underlying profit before tax from continuing operations of £187.8m, an increase of 13% (excluding profit from our Property business generated in the first quarter). This was driven by the 22% rise in management fees (£403.5m), our core revenue stream. Performance fees remained strong at £82.8m, but down on the level reported in 2013.

As we invested across the business in areas including investment management, client relationships, marketing and technology, we saw a £37.9m increase in total operating expenses to £334.6m. However, we maintained cost discipline and delivered a 35.5% operating margin, which is one of our key measures of performance.

The Group's key performance indicators validate our strong financial results. We delivered strong retail fund inflows throughout the year, with exceptional inflows in the first half when markets were less volatile. Management fee margin moved up slightly to 57.8bps, with the mix in AUM being the main driver of the change. These factors, in combination with our strong investment performance, are the key drivers for revenue growth. As mentioned, we remained vigilant on costs and despite a rise in total compensation, we saw a reduction in our compensation ratio from 45.4% in 2013 to 44.7% in 2014. Diluted continuing underlying EPS increased by 13% to 14.7 pence, primarily driven by increased profit.

Selected KPIs (continuing)	2014
Underlying profit before tax	<b>£187.8m</b>
Net fund flows	<b>£7.1bn</b>
3 year investment outperformance	<b>83%</b>
Management fee margin	<b>57.8bps</b>
Operating margin	<b>35.5%</b>
Compensation ratio	<b>44.7%</b>
Diluted EPS	<b>14.7p</b>

## AUM and flows

AUM by channel (£m)

	Opening AUM 1 Jan 14	Net flows	Market/ FX	Acquisitions/ disposals	Closing AUM 31 Dec 14
Retail	39,253	6,810	1,919	(1,975)	46,007
Institutional	35,983	328	2,132	(3,288)	35,155
<b>Total</b>	<b>75,236</b>	<b>7,138</b>	<b>4,051</b>	<b>(5,263)</b>	<b>81,162</b>

The Group's total AUM at 31 December 2014 was £81.2bn, an increase of 8%. We achieved net fund inflows of £7.1bn as we strengthened our product offering, enhanced our global distribution and delivered strong investment performance.

The Group completed a number of transactions this year, notably the property transactions resulting in a 40% joint venture with TIAA-CREF, the acquisition of Geneva Capital Management and the sale of our 50% holding in Intrinsic Cirilium to Old Mutual, which have resulted in an overall negative impact from acquisitions and disposals of £5.3bn. Ignoring the impact of these transactions, our AUM increased by 16%.

This year, our strong net fund inflows of £7.1bn resulted in an overall net new money growth of 11%, demonstrating that we are well positioned in terms of our key products and capabilities.

AUM by product	£m
<b>Retail</b>	<b>46,007</b>
UK OEIC/Unit Trusts/Other	20,615
SICAVs	14,171
US Mutuals	6,005
Investment Trusts	5,216
<b>Institutional</b>	<b>35,155</b>
<b>Total</b>	<b>81,162</b>

Flows have been primarily driven by our Retail business this year, but there has been an improvement in our Institutional business where we have seen small positive net inflows, across a broadening geographical base. We were pleased that we continued to capture strong flows in Retail, especially in the latter half of the year, as market volatility increased and investor sentiment changed.

In particular, our UK Retail business attracted strong flows across a diverse product set and we are seeing the benefits from our New Star and Gartmore acquisitions, giving us strong growth momentum. Our US Mutuals business had an impressive first half driven by flows into European Equities products, but as demand slowed, we saw clients subsequently rotate into domestic dominated strategies. This slowing was also apparent across our SICAV range, where we observed a rotation away from growth orientated strategies and into more defensive and absolute return products.

Over the course of the year, we continued to take market share across our key markets and have made positive steps towards the delivery of our long-term strategy.

## Income drivers

	FY14 £m	FY13 £m
<b>Income</b>		
Management fees	<b>403.5</b>	331.9
Other income	<b>32.5</b>	34.9
Performance fees	<b>82.8</b>	94.5
<b>Net fee income from continuing operations</b>	<b>518.8</b>	461.3
Income from associates and joint ventures	<b>5.1</b>	1.8
Finance income	<b>10.1</b>	10.2
<b>Net income from continuing operations</b>	<b>534.0</b>	473.3

## Fee margins

Driven by the mix of our AUM, management fee margin rose slightly in 2014 to 57.8bps, an increase of 1.5bps on 2013 (56.3bps). Over recent years, we have observed some pricing pressure and in 2014 we benefited from increased flows into higher fee margin products, including UK OEICs, SICAVs and US Mutuals, to help offset this pressure. Fee margins for our Institutional business are more wide-ranging but averaged just over 30bps.

## Management fees

In 2014, management fees grew significantly by 22% to £403.5m. This was largely driven by strong net fund flows and good investment performance.



### Performance fees

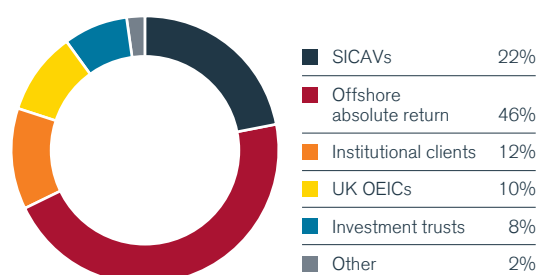
Our consistently strong investment performance with 66% and 83% of our funds outperforming on a 1 year and 3 year basis respectively, has helped maintain a strong level of performance fees.

As a result, we achieved performance fees of £82.8m which were slightly ahead of expectations, but down by £11.7m on the record high achieved in 2013 when market growth was very strong. The chart highlights our ability to generate performance fees from a diverse range of products, which gives us confidence for our ability to continue to earn fees in the year ahead. In 2014, we saw good relative growth in performance fees from our Offshore Absolute Return fund range, whilst across SICAVs, Institutional and UK OEICs we observed a small decrease in the proportion of performance fees generated.

### Other income

In 2014, other income fell slightly by £2.4m to £32.5m. The majority of this income is attributable to our general administration charge for which we implemented a policy change in August 2013. The policy change resulted in a reduced rate which had a full year impact in 2014.

#### Performance fees



### Expense drivers

	FY14 £m	FY13 (restated) £m
<b>Expenses</b>		
Fixed employee compensation and benefits	88.4	80.6
Variable employee compensation and benefits	143.6	128.8
<b>Total employee compensation and benefits</b>	<b>232.0</b>	209.4
Non-staff operating expenses	102.6	87.3
<b>Total operating expenses from continuing operations</b>	<b>334.6</b>	296.7
Finance expenses	11.6	11.1
<b>Total expenses from continuing operations</b>	<b>346.2</b>	307.8

### Total operating expenses

As we progress towards delivering our growth and globalisation strategy, it should be noted that 2014 was the peak year for investment. Total operating expenses increased by 13% to £334.6m, primarily driven by employee compensation and benefits which increased by £22.6m to £232.0m. Fixed staff compensation has increased to £88.4m, reflecting our investment in new talent. Variable staff compensation increased to £143.6m as we rewarded staff for strong net flows, investment performance and business performance. In line with expectations, our non-staff operating expenses increased

by £15.3m to £102.6m, due to additional investment in areas including marketing and technology and the impact of favourable one-off items recognised in 2013.

### Finance income and expenses

Finance income decreased marginally from £10.2m in 2013 to £10.1m in 2014. In 2014, £3.6m was generated from the sale of seed capital investments and £4.5m was the recognition of net interest on the Group's retirement benefit asset.

Finance expenses increased marginally to £11.6m and primarily relate to interest payable on the 2016 Loan Notes which are repayable in March 2016.

### Acquisition related and non-recurring items

The acquisition related and non-recurring items are disclosed separately from that of the Group's underlying profit to enable the users of our financial statements to better understand the components of our total profit. These items totalled £88.0m before tax and are primarily attributable to the intangible amortisation of previously capitalised investment management contracts, although this year they have been more than offset by the gain on disposal of the Property business. See notes 7 and 9 to the financial statements.

### Tax

The tax charge on the Group's continuing underlying profit for the year was £20.6m, resulting in an effective tax charge of 11.0% in comparison to the pro-rata UK corporation tax rate of 21.5%. The difference is primarily due to the benefit of profits in some overseas jurisdictions being subject to lower tax rates and tax credits on settlement and finalisation of tax returns relating to prior years.

### TH Real Estate

On 1 April 2014, the Group completed the transactions with TIAA-CREF relating to its Property business. This resulted in the Group taking a 40% share in the TH Real Estate joint venture. In the nine months to 31 December 2014, TH Real Estate contributed £2.7m to continuing underlying profit, recognised in income from associates and joint ventures.

### Geneva Capital Management

On 1 October 2014, the Group completed its acquisition of Geneva Capital Management LLC (Geneva), a US growth equity manager, resulting in a £3.4bn increase to our AUM. Geneva brings established investment expertise in mid- and small-cap US high quality growth equities, which complements our existing international capabilities. Through the acquisition of Geneva, we have also strengthened our institutional distribution capabilities and client base in North America, which creates a solid foundation for growth across this channel.

Since the acquisition of Geneva, our focus has been on investment performance and integration. We have had positive engagement with clients, with the vast majority consenting to the transaction but have experienced outflows totaling £494.1m for the three months to 31 December 2014 which includes the impact of the termination of one significant portfolio.

In December, we launched the US Growth Opportunities Fund, which fills an important domestic equity product gap for our US Mutuals business and will help to accelerate our growth.

## Capital and liquidity management

The Group continued to generate strong net operating cash flows.

Total cash and cash equivalents at 31 December 2014 were £242.8m (including cash classified as held for sale). Unrestricted cash stood at £227.7m after excluding manager dealing accounts, restricted cash and cash held in structured entities. With gross debt, at par, amounting to £150.0m, the Group ended 2014 in a net cash position of £77.7m (2013: £56.3m).

The increase in net cash was moderated as we invested in our strategic priorities including a net investment of £35.3m of seed capital into new fund launches including total return bond funds in the US and Australia.

## Regulatory requirements

The Group is subject to regulatory oversight and inspection by the FCA and other international regulatory bodies. The Group ensures it is compliant with its regulatory obligations at all times. In 2011, as part of the Gartmore acquisition process, the Group was granted a new investment firm waiver from consolidated supervision which is valid until April 2016. The regulatory capital surplus of the Group under the parent financial holding company test was £960.0m as at 31 December 2014 (2013: £983.0m).

During 2014, we continued to monitor the Group's capital position without recourse to the aforementioned waiver. We have made strong progress on reducing the Group's consolidated capital deficit. Despite the recent Geneva acquisition, we are delighted to report that, based on our calculations, we are now operating with a surplus of £44.0m<sup>1</sup> as at 31 December 2014.

## Pension schemes

The Group has four pension schemes. A defined benefit scheme and a defined contribution scheme, together form the Henderson Group Pension Scheme, and there are three smaller unapproved pension top-up schemes for former executives. The net retirement benefit asset increased during 2014 to £119.6m (2013: £96.5m), mainly as a result of higher returns from the scheme assets.

## Dividends

The Board declared an interim dividend of 2.60 pence per share and is recommending a final dividend for 2014 of 6.40 pence per share, bringing the total dividends for 2014 to 9.00 pence per share, an increase of 12.5%. The proposed final dividend will be paid on 29 May 2015 to shareholders on the register on 8 May 2015. We will continue to maintain a progressive dividend policy, with the Board actively reviewing and setting the interim and final dividends for 2015 in line with business performance and outlook.

**Roger Thompson**  
Chief Financial Officer

1. Calculated based on the Group's pillar 2 capital requirement as approved by the Board in its 30 June 2014 ICAAP.

# Key performance indicators

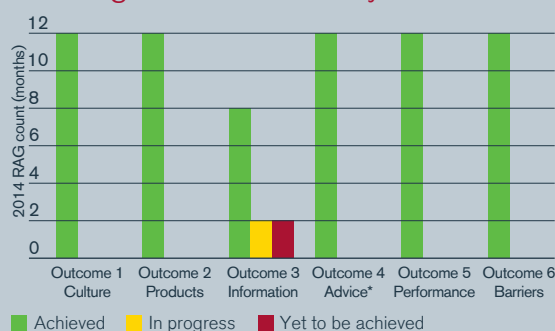
We measure our strategic and operational progress through a set of indicators that focus on core performance factors.

## Performance indicator

## Our strategy

## 2014 performance

### Treating Customers Fairly (TCF)



\* Whilst Henderson does not give advice, we recognise our responsibilities as a product provider in satisfying ourselves that products we develop are being sold in line with our expectations of the type of customer they were designed for.

With our clients' needs at the heart of everything we do, we continue to strive to meet the expectations of our clients and their customers and to embed the fair treatment of customers into the firm's business model.

Embedding is measured using monthly management information to derive a "Red Amber Green" (RAG) rating for each of the six FCA TCF outcomes.

<sup>1</sup> The survey captures UK staff attitudes to customer-centric topics.

Key customer focused initiatives have included:

- 2nd annual Staff Survey<sup>1</sup> on our performance in achieving our client goals showed an improvement in positive responses in all question areas across the UK business
- The Henderson Customer Panel was established to gather feedback from UK retail direct investors
- Major enhancements to TCF management information, reporting and governance structure

### Investment performance over 1 and 3 years (%)

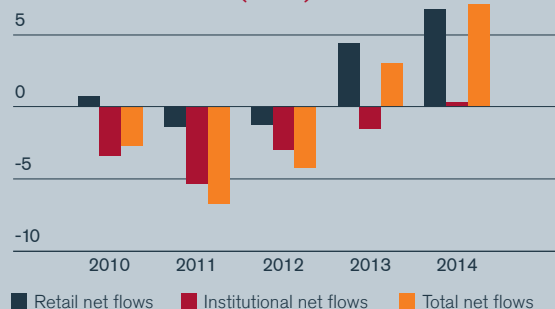


% of assets at/exceeding relevant metric over: — 1 year — 3 years

Strong investment performance underpins our growth strategy, our reputation and our ability to attract net new money from clients. We measure the percentage of our assets at or exceeding the relevant metric over 1 and 3 years to monitor our performance.

- At the end of 2014, 66% of funds had outperformed over 1 year and 83% over 3 years, demonstrating consistently strong investment performance
- Investment performance was strong across all of our core capabilities

### Net fund flows (£bn)



Net fund flows are a strong lead indicator of the success of our strategy and are a key driver of revenue and profitability. Reflected in the mix of our fund flows are investment performance, distribution and client service, the success of our product offering in meeting client needs, and our strategy to globalise our business, as well as external market factors.

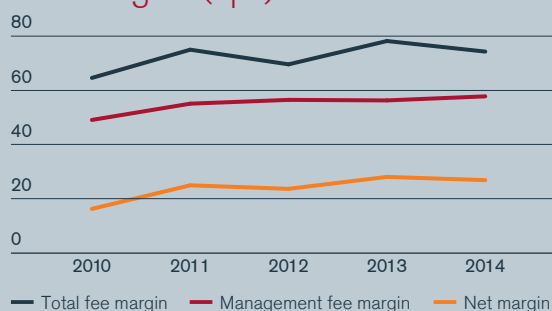
- Net new money growth of 11%
- Total net fund inflows of £7.1bn driven by our Retail business which contributed £6.8bn
- Institutional net flows improved with £0.3bn in 2014 across a broader geographical base
- Our significant net fund inflows reflect strong investment performance across an increasingly diverse product range

## Performance indicator

## Our strategy

## 2014 performance

### Fee margins (bps)<sup>2</sup>



Fee margins are under constant pressure across our industry – from clients, intermediaries, competitors and regulators. Our average fee margin is a strong indicator of our ability to adapt and respond to these pressures, by delivering the right product at the right price to our clients, globally.

- Management fee margin increased to 57.8bps driven by strong retail flows and increased flows into higher margin products including SICAVs
- Total fee margin decreased slightly to 74.3bps, impacted by the fall in performance fees from the high in 2013
- Net margin remained relatively stable at 26.9bps, highlighting our ability to maintain operational efficiency

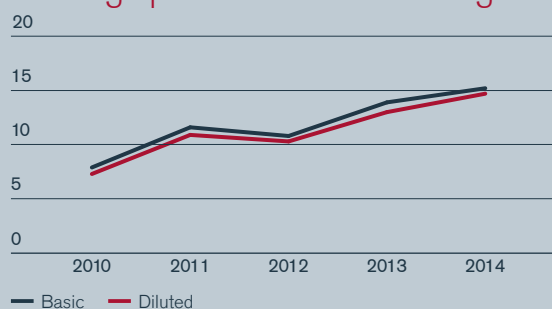
### Compensation ratio and operating margin (%)<sup>2</sup>



Our ability to deliver value to our clients and shareholders depends on achieving the right balance between investing in the growth of our business, rewarding and retaining our staff and operating efficiently. These two ratios enable us to monitor this balance.

- Compensation ratio reduced from 45.4% in 2013 to 44.7% in 2014, despite an 11% increase in total staff compensation
- We delivered an operating margin of 35.5% in 2014 which is broadly in line with 2013 (35.7%). 2014 was a peak year for investment, but we maintained cost discipline as market volatility increased in the second half of 2014

### Earnings per share on continuing underlying profit (p)<sup>2</sup>



Earnings per share on continuing underlying profit is a clear measure of our ability to deliver sustainable, profitable growth on a global basis, and deliver value to our shareholders.

- Diluted earnings per share on continuing underlying profit grew to 14.7p in 2014, up from 13.0p in 2013
- The key driver of this growth is the 13% increase in continuing underlying profit before tax, as the effective tax rate and weighted average number of shares remained relatively flat

2. Net margin, compensation ratio, operating margin and diluted earnings per share are all based upon continuing underlying profit which, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.

# Risk management

## Risk overview

Our strategic objectives and the key risks to our strategy and business model are deeply interconnected. Risk management is fundamental to our operating model and deeply integrated into the day-to-day running of our business.

Strategic priority	Risk appetite theme							
	Client and fund investment focus	Group financial stability	Group growth and performance	Operational risk	People risk	Regulatory change	Reputational risk	Trust
Deliver first-class investment performance and service to our clients								
Shape our global product offering to meet the current and future needs of our clients								
Diversify our global business								
Operate efficiently								

Note: Quadrants represent the impact of each risk event on Henderson's ability to meet its strategic objectives - not the likelihood of the risk occurring.

Lowest impact Highest impact

## Risk management framework

The principle of individual accountability and responsibility for risk awareness and risk management is an important feature of our culture. Overall accountability for risk management lies with the Board which articulates the risks that the Group is willing to take in pursuit of its strategy through the Group's risk appetite statement. The risk appetite statement is reviewed by the Board on an annual basis and covers eight main themes regarded as essential to the successful delivery of the Group's strategy and goals:

- Client and fund investment focus;
- Group financial stability;
- Group growth and performance;
- Operational risk;
- People risk;
- Regulatory change;
- Reputational risk; and
- Trust.

In order to manage risk effectively, the Board and senior management have to take a forward looking view and our risk management process aims to identify new and emerging risks at an early stage so that these are assessed alongside known and continuing risks. The principal risks faced by the Group, together with the approach to mitigating these risks to ensure that the Group's risk profile remains within its risk appetite, are described on pages 17 and 18.

The risk management framework is set out in the Group's risk policy, a summary of which can be found on our website ([www.henderson.com/IR](http://www.henderson.com/IR)).

## Three lines of defence

Our framework utilises a 'three lines of defence' approach to managing risk.

The first line comprises the Chief Executive and business management, who ensure the Group is managed in accordance with the Group's risk appetite on a day-to-day basis.

The second line comprises the Risk and Compliance functions which monitor the financial, operational and regulatory risks in the business and the related controls in place to manage these risks. The Chief Risk Officer (CRO) reports independently of management to the Chair of the Board Risk Committee (BRC) and attends all Board, Audit Committee and BRC meetings; the CRO and the Risk and Compliance functions provide reports to each Committee meeting.

Internal Audit is the third line of defence, providing independent assurance that the controls are appropriate and are operating effectively. Internal Audit reports independently to the Audit Committee.

## Board Risk Committee's principal activities during 2014

The BRC received risk management reports which addressed real and potential emerging risks, strategic and operational risks and topical matters such as cyber-crime and regulatory updates. During the year, the Group has explored a number of acquisition opportunities and completed one of these – the acquisition of Geneva Capital Management in October. The BRC reviewed and challenged the risk assessments provided by the CRO throughout the acquisition process.

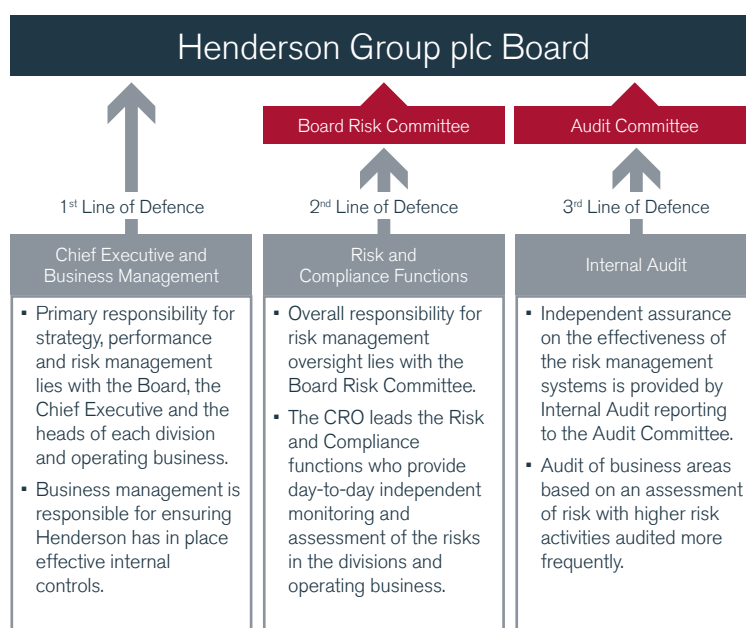
In addition, the Group disposed of its 50% equity interest in Intrinsic Cirilium Investment Company Limited to Old Mutual Wealth in December and this transaction was also subject to review, challenge and oversight by the BRC.

The pace of regulatory change has continued unabated during 2014. This included the implementation of the AIFMD (covering principally the Group's Hedge Fund and Investment Trust activities), the Capital Requirements Directive IV, which changed the calculation of the Group and its subsidiaries' regulatory capital requirements, and the derivatives related EMIR (European) and Dodd-Frank (US) requirements. The Group implemented the required changes successfully and is on track with implementing these and other evolving regulatory requirements, related policies and procedures. The BRC reviews reports from the CRO that cover regulatory pronouncements that are pertinent for the Group's business model. The Assurance function also reports to the BRC on any investigations into operational risks including incidents that have resulted in significant losses and/or regulatory fines for competitor firms.

In 2014, there was a continued increase in the apparent frequency and sophistication of cyber-crime incidents experienced by companies throughout the world. The BRC received a presentation from an external expert on cyber security and conducted a "deep-dive" into broader information technology related risks. The BRC also reviewed the Group's business continuity plans during 2014. The Group has an Information Security Management Committee, which assesses, monitors and controls related risks including cyber crime.





An important regular activity conducted by the Group is the annual Internal Capital Adequacy Assessment Process (ICAAP) which involves the first and second lines of defence in assessing the Group's risk profile and control environment for mitigating these risks. The ICAAP results in an assessment by management of the appropriate amount of capital to be held by the Group. The BRC reviews and challenges management's assessments (including stress tests and reverse stress tests) and conclusions and makes a recommendation on capital requirements to the Board.

Outside the framework of formal meetings, the Chair of the BRC, Sarah Arkle, meets and has regular contact with the Chief Executive, the Chief Financial Officer and the CRO.



# 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.

 Acquisition and divestment	 Credit	 Foreign currency	 Fund flows	 Key personnel
<b>Description</b> <ul style="list-style-type: none"> <li>▪ Risk of organisational stress through potential demands on staff and resources through need to integrate acquired businesses or to reorganise processes to divest parts of the business.</li> <li>▪ This risk is aligned to the Group's long-term strategy that involves willingness to consider the acquisition of businesses.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk of a counterparty to the Group defaulting on funds deposited with it or the non-receipt of a trade debt.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk that the Group will sustain losses through adverse movements in exchange rates.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk of net redemptions by clients resulting in a decline in AUM and revenues earned by the Group.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk of losing either a member of the ExCo or one of the Group's key investment or distribution professionals.</li> <li>▪ Potential adverse effect on business growth and/or the retention of existing business.</li> </ul>
<b>Trends in 2014</b> <ul style="list-style-type: none"> <li>▪ Acquisition of Geneva Capital Management.</li> <li>▪ Divestment of the Group's property business and formation of the TH Real Estate joint venture.</li> <li>▪ Disposal of our equity interest in the Intrinsic Cirilium Investment Management joint venture.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit default swap spreads of our principal counterparties narrowed in 2014 indicating reduction in perceived default risk.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volatility of foreign exchange rates remained low in 2014, although they have increased in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall, strong positive net inflows in 2014.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staff turnover generally low throughout 2014.</li> <li>▪ Percentage of Group revenues from funds managed by an individual fund manager remains well diversified, albeit with increasing concentration in European Equities.</li> </ul>
<b>Mitigation</b> <ul style="list-style-type: none"> <li>▪ Acquisitions/divestments considered only where they fit with our strategic goals and meet our financial criteria such that we can realise value for our shareholders. The Board's risk appetite statement includes quantitative and qualitative criteria that must be met for any acquisition.</li> <li>▪ Thorough due diligence performed before any acquisition is made including assessment of our ability to integrate successfully the acquired business.</li> <li>▪ Integration risk, post closing, is managed, monitored and reported.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit risk arising from exposures to counterparties is assessed, managed and monitored in line with the Group's risk appetite.</li> <li>▪ The Credit Risk Committee meets regularly to approve, review and set limits for all new and existing counterparties.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Holding financial assets and liabilities of equal value in the same currency.</li> <li>▪ Limiting the net exposure to an individual currency.</li> <li>▪ Hedging currency exposure arising from seed capital investments.</li> <li>▪ Risk overseen by the Hedge Committee that submits a monthly report to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversity of sources of revenue by asset class, capability, fund style, strategy and geography.</li> <li>▪ Diversity of investor base between retail and institutional and by geography.</li> <li>▪ Strong investment performance across product ranges.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our remuneration structures are competitive and are designed to recognise and reward performance.</li> <li>▪ Succession planning to ensure that there is cover for key roles should they become vacant.</li> <li>▪ Staff surveys identify any issues which could adversely impact staff retention.</li> <li>▪ Comprehensive training is offered to all staff.</li> <li>▪ Deliberate strategy to avoid dependence on a single investment manager or team for a high proportion of our revenues, resulting in broad and diverse fund manager teams.</li> </ul>





## Investment performance

### Description

- Risk that funds fail to achieve performance hurdles or benchmarks relative to similar funds managed by other firms, leading to client redemptions and reduction in AUM and revenues earned by the Group.
- Poor fund performance will also result in lower performance fees.



## Market

- Risk that market conditions lead to a reduction in the value of clients' AUM and revenues earned by the Group.
- Risk that market conditions lead to a decline in the value of Group seed capital investments.



## Operational and legal

- Risk of losses through inadequate or failed internal processes, people or systems or through external events. This includes the risk of loss arising from failing to manage key outsourced service providers properly, the risk arising from major disruption to our business and the risk of losses from breaches of investment mandates.
- Risk of losses from litigation.



## Regulatory change

- Risk that a change in laws and regulations will materially affect the Group's business or markets in which it operates.
- This may affect the business either directly or indirectly by reducing investors' appetite for our products, increasing capital requirements, restricting our ability to sell products, pursue certain investment strategies and/or increasing the cost and complexity of the Group's business.



## Reputational

- Risk that negative publicity regarding the Group will lead to client redemptions and a decline in AUM and revenue and/or to litigation.
- The risk of damage to the Group's reputation is more likely to result from one of the other key risks materialising rather than as a standalone risk.

### Trends in 2014

- Continued strong fund performance with 83% of funds (weighted by AUM) outperforming over three years.
- Slight weakening in one year performance, but still continues to be strong.
- Positive market performance in 2014 resulted in an increase in AUM, and therefore revenue, and in the value of seed capital investments.
- Continued rise in the number and sophistication of acts of cyber-crime against firms generally.
- Pace of regulatory change remains significant with implementation of the AIFMD and Capital Requirements Directive. Major regulatory change also underway with Regulation and Central Clearing of OTC Derivatives, changes to UK client money regulations and MiFID II.
- Regulations regarding the fair use of dealing commissions are a particular focus for the FCA.
- Henderson's brand has continued to strengthen in 2014 as evidenced by positive feedback from clients and the related net fund inflows across multiple channels and geographic regions.

### Mitigation

- Robust investment process including detailed research.
- Clearly articulated investment philosophy including analysis of our funds by comparing their performance against appropriate benchmarks.
- Broad range of funds to reduce the probability of all funds underperforming at the same time.
- Independent Investment Risk function aims to ensure that the level of risk taken for each portfolio is consistent with client mandates and fund prospectuses.
- Risk of a fall in the value of clients' AUM is mitigated by diversity of AUM by asset class and underlying investment strategy.
- We actively seek fee bases which are not solely calculated by reference to the market value of AUM and a significant amount of our expense base is variable.
- Limits on the aggregate amount of seed capital investments, diversification of the assets invested and appropriate hedging of the market risks where appropriate.
- Our control systems are designed to ensure operational and legal risks are mitigated to an acceptable level.
- Three lines of defence model is key (see page 16 for details).
- 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, in the event of business disruption, we can maintain our operations without irreparable damage to the business.
- Active and constructive engagement with regulators.
- Regulatory developments are monitored by a dedicated team in Compliance who provide training to the relevant teams where appropriate.
- Working groups implement required changes to our business processes.
- Compliance monitors ongoing regulatory obligations and engages in regular dialogue with our regulators.
- Active involvement with and through industry bodies.
- Reputational risk is primarily mitigated through the effective mitigation of the other key risks.
- Reputational risk is also mitigated by our culture, which is based on the value of integrity, trust and treating clients fairly.
- Risk appetite, risk and compliance policies, governance structures (e.g. the Conflicts of Interest Committee) and reward structures include significant focus on issues and behaviours that could affect Henderson's reputation.

# Financial statements

The information contained in this Preliminary final Report is based on accounts which have been audited

## Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014			2013		
		Underlying profit £m	Acquisition related and non-recurring items (note 7) £m	Total £m	Underlying profit £m	Acquisition related and non-recurring items (note 7) £m	Total £m
<b>Income</b>							
Gross fee and deferred income	3	651.2	–	651.2	578.2	–	578.2
Commissions and deferred acquisition costs	3	(132.4)	–	(132.4)	(116.9)	–	(116.9)
Net fee income		518.8	–	518.8	461.3	–	461.3
Income/(loss) from associates and joint ventures	15.2	5.1	(7.2)	(2.1)	1.8	–	1.8
Finance income	3	10.1	11.5	21.6	10.2	–	10.2
Net income from continuing operations		534.0	4.3	538.3	473.3	–	473.3
<b>Expenses</b>							
Operating expenses	4.1	(329.9)	(1.3)	(331.2)	(293.4)	(5.1)	(298.5)
Amortisation and depreciation		(4.7)	(53.7)	(58.4)	(3.3)	(51.8)	(55.1)
Total operating expenses		(334.6)	(55.0)	(389.6)	(296.7)	(56.9)	(353.6)
Finance expenses	6	(11.6)	(1.5)	(13.1)	(11.1)	(1.3)	(12.4)
Total expenses from continuing operations		(346.2)	(56.5)	(402.7)	(307.8)	(58.2)	(366.0)
<b>Profit/(loss) before tax from continuing operations</b>		187.8	(52.2)	135.6	165.5	(58.2)	107.3
Tax (charge)/credit on continuing operations		(20.6)	11.9	(8.7)	(17.9)	17.8	(0.1)
<b>Profit/(loss) after tax from continuing operations</b>		167.2	(40.3)	126.9	147.6	(40.4)	107.2
<b>Discontinued operation</b>							
– Profit/(loss) before tax	9.1	7.6	140.2	147.8	24.6	(4.5)	20.1
– Tax (charge)/credit	9.1	(1.3)	(14.9)	(16.2)	(2.9)	0.7	(2.2)
– Profit/(loss) after tax from discontinued operation		6.3	125.3	131.6	21.7	(3.8)	17.9
<b>Profit/(loss) before tax from total operations</b>		195.4	88.0	283.4	190.1	(62.7)	127.4
Tax (charge)/credit on total operations	8	(21.9)	(3.0)	(24.9)	(20.8)	18.5	(2.3)
<b>Profit/(loss) after tax attributable to owners of the parent</b>		173.5	85.0	258.5	169.3	(44.2)	125.1
<b>Total profit attributable to owners of the parent arises from:</b>							
Continuing operations				126.9			107.2
Discontinued operation				131.6			17.9
				258.5			125.1
<b>Basic and diluted earnings per share from continuing operations</b>							
Basic	10.3			11.7p			10.1p
Diluted	10.3			11.1p			9.4p
<b>Basic and diluted earnings per share from total operations</b>							
Basic	10.4			23.8p			11.8p
Diluted	10.4			22.7p			11.0p

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
<b>Profit after tax</b>		<b>258.5</b>	125.1
<b>Other comprehensive income/(expense)</b>			
<b>Items that may be reclassified to the Consolidated Income Statement</b>			
Exchange differences on translation of foreign operations		<b>0.1</b>	(5.6)
Exchange differences transferred to the Consolidated Income Statement on disposal of foreign operations		<b>(1.9)</b>	–
Available-for-sale financial assets:			
Net gains on revaluation		<b>3.5</b>	0.7
Reclassification to the Consolidated Income Statement on impairment due to distribution		<b>0.6</b>	–
Reclassification to the Consolidated Income Statement on disposal		<b>(6.7)</b>	–
Tax effect of revaluation	8	<b>0.1</b>	0.1
<b>Items that will not be reclassified to the Consolidated Income Statement</b>			
Actuarial gains/(losses):			
On defined benefit pension schemes (after tax deducted at source)	21.2	<b>17.6</b>	(26.4)
On other items		<b>0.1</b>	–
Tax effect of actuarial gains/(losses)	8	<b>0.1</b>	0.1
<b>Other comprehensive income/(expense) after tax</b>		<b>13.5</b>	(31.1)
<b>Total comprehensive income after tax</b>		<b>272.0</b>	94.0
<b>Attributable to:</b>			
Owners of the parent		<b>273.6</b>	94.0
Non-controlling interests		<b>(1.6)</b>	–
		<b>272.0</b>	94.0

## Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 £m	2013 (restated) £m	2012 (restated) £m
<b>Non-current assets</b>				
Intangible assets	14	677.9	637.9	717.7
Investments accounted for using the equity method		74.4	5.5	8.4
Property and equipment	16	15.1	17.0	18.0
Retirement benefit assets	21.2	128.1	104.4	130.2
Deferred tax assets	23	36.0	39.3	40.3
Trade and other receivables	18	1.3	37.0	29.6
		932.8	841.1	944.2
<b>Current assets</b>				
Available-for-sale financial assets	17	71.0	62.1	68.0
Financial assets at fair value through profit or loss	17	35.9	19.6	14.2
Current tax asset		2.3	2.1	2.0
Trade and other receivables	18	275.9	216.8	146.1
Cash and cash equivalents	19.1	234.5	217.0	197.5
		619.6	517.6	427.8
Assets classified as held for sale	9.2	84.8	105.8	–
<b>Total assets</b>		1,637.2	1,464.5	1,372.0
<b>Non-current liabilities</b>				
Debt instrument in issue	20	149.4	148.9	148.5
Trade and other payables	24	44.6	50.1	35.1
Retirement benefit obligations	21.2	8.5	7.9	7.2
Provisions	22	9.7	11.6	12.1
Deferred tax liabilities	23	38.9	49.4	69.1
		251.1	267.9	272.0
<b>Current liabilities</b>				
Trade and other payables	24	316.0	337.7	293.8
Provisions	22	3.1	6.0	9.9
Current tax liabilities		23.0	11.0	14.6
		342.1	354.7	318.3
Liabilities classified as held for sale	9.2	26.0	5.6	–
<b>Total liabilities</b>		619.2	628.2	590.3
<b>Net assets</b>		1,018.0	836.3	781.7
<b>Capital and reserves</b>				
Share capital	25.2	142.4	140.4	139.3
Share premium		743.9	708.6	693.8
Own shares held		(94.7)	(69.4)	(100.8)
Translation reserve		(1.7)	0.1	5.7
Revaluation reserve		9.8	10.7	9.9
Profit and loss reserve		216.4	41.9	29.7
<b>Equity attributable to owners of the parent</b>		1,016.1	832.3	777.6
Non-controlling interests		1.9	4.0	4.1
<b>Total equity</b>		1,018.0	836.3	781.7

The financial statements were approved by the Board of Directors and authorised for issue on 24 February 2015. They were signed on its behalf by:

**Richard Gillingwater**  
Chairman

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital £m	Share premium £m	Own shares held £m	Translation reserve £m	Revaluation reserve £m	Profit and loss reserve £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
<b>At 1 January 2013 (restated)</b>	139.3	693.8	(100.8)	5.7	9.9	29.7	777.6	4.1	781.7
Profit after tax	–	–	–	–	–	125.1	125.1	–	125.1
Other comprehensive (expense)/income after tax	–	–	–	(5.6)	0.8	(26.3)	(31.1)	–	(31.1)
Total comprehensive (expense)/income after tax	–	–	–	(5.6)	0.8	98.8	94.0	–	94.0
Dividends paid to equity shareholders	–	–	–	–	–	(78.6)	(78.6)	–	(78.6)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(0.1)	(0.1)
Purchase of own shares	–	–	(9.8)	–	–	–	(9.8)	–	(9.8)
Vesting of share schemes	–	–	56.4	–	–	(56.4)	–	–	–
Issue of shares for share schemes	1.1	14.8	(15.2)	–	–	–	0.7	–	0.7
Movement in equity-settled share scheme expenses	–	–	–	–	–	35.0	35.0	–	35.0
Tax on equity-settled share schemes	–	–	–	–	–	13.4	13.4	–	13.4
<b>At 31 December 2013 (restated)</b>	140.4	708.6	(69.4)	0.1	10.7	41.9	832.3	4.0	836.3
Profit after tax	–	–	–	–	–	<b>258.5</b>	<b>258.5</b>	–	<b>258.5</b>
Other comprehensive (expense)/income after tax	–	–	–	<b>(1.8)</b>	<b>(0.9)</b>	<b>17.8</b>	<b>15.1</b>	<b>(1.6)</b>	<b>13.5</b>
Total comprehensive (expense)/income after tax	–	–	–	<b>(1.8)</b>	<b>(0.9)</b>	<b>276.3</b>	<b>273.6</b>	<b>(1.6)</b>	<b>272.0</b>
Dividends paid to equity shareholders	–	–	–	–	–	<b>(92.9)</b>	<b>(92.9)</b>	–	<b>(92.9)</b>
Disposal of non-controlling interest	–	–	–	–	–	–	–	<b>(0.5)</b>	<b>(0.5)</b>
Purchase of own shares	–	–	<b>(33.0)</b>	–	–	–	<b>(33.0)</b>	–	<b>(33.0)</b>
Vesting of share schemes	–	–	<b>44.2</b>	–	–	<b>(44.2)</b>	–	–	–
Issue of shares for share schemes	<b>2.0</b>	<b>35.3</b>	<b>(36.5)</b>	–	–	–	<b>0.8</b>	–	<b>0.8</b>
Movement in equity-settled share scheme expenses	–	–	–	–	–	<b>35.3</b>	<b>35.3</b>	–	<b>35.3</b>
<b>At 31 December 2014</b>	<b>142.4</b>	<b>743.9</b>	<b>(94.7)</b>	<b>(1.7)</b>	<b>9.8</b>	<b>216.4</b>	<b>1,016.1</b>	<b>1.9</b>	<b>1,018.0</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 £m	2013 (restated) £m
<b>Net cash flows generated from operating activities</b>	19.2	<b>123.0</b>	174.9
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		<b>(76.1)</b>	(5.2)
Proceeds from:			
– disposal of Property business, net of cash disposed		<b>104.7</b>	–
– disposal of interests in associates		<b>13.7</b>	–
– disposal of seed capital investments		<b>37.9</b>	12.2
– disposal of plant and equipment		<b>0.4</b>	–
Dividends from associates and distributions from joint ventures		<b>3.8</b>	4.2
Purchases of:			
– seed capital investments		<b>(77.1)</b>	(42.6)
– property and equipment	16	<b>(1.6)</b>	(2.8)
– computer software intangible assets	14	<b>(4.1)</b>	(5.3)
– interests in associates and joint ventures		<b>(0.8)</b>	(2.2)
<b>Net cash flows generated from/(used in) investing activities</b>		<b>0.8</b>	(41.7)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		<b>7.3</b>	6.0
Purchase of own shares		<b>(33.0)</b>	(9.8)
Dividends paid to equity shareholders	12	<b>(92.9)</b>	(78.6)
Interest paid on debt instruments in issue		<b>(10.9)</b>	(10.9)
Recognition of non-controlling interests investments in consolidated funds		<b>28.8</b>	–
Payments to non-controlling interests on seed capital investments		<b>(12.2)</b>	–
<b>Net cash flows used in financing activities</b>		<b>(112.9)</b>	(93.3)
Effects of exchange rate changes		<b>(0.4)</b>	(5.1)
<b>Net increase in cash and cash equivalents</b>		<b>10.5</b>	34.8
Cash and cash equivalents at beginning of year		<b>232.3</b>	197.5
<b>Cash and cash equivalents at end of year</b>		<b>242.8</b>	232.3
<b>Reconciliation of cash and cash equivalents</b>			
	Notes	2014 £m	2013 (restated) £m
Cash and cash equivalents	19.1	<b>234.5</b>	217.0
Cash and cash equivalents classified as held for sale	9.2	<b>8.3</b>	15.3
<b>Total cash and cash equivalents</b>		<b>242.8</b>	232.3
<b>Cash flows from discontinued operation</b>			
		2014 £m	2013 £m
Net cash flows from operating activities		<b>0.2</b>	(0.7)
<b>Total cash flows from discontinued operation</b>		<b>0.2</b>	(0.7)

## Company Income Statement

For the year ended 31 December 2014

	Note	2014 £m	2013 £m
Dividends received		98.4	82.0
Administration expenses		(3.0)	(1.9)
<b>Profit before tax</b>		<b>95.4</b>	80.1
Tax	8	–	–
<b>Profit after tax</b>		<b>95.4</b>	80.1

## Company Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 £m	2013 £m
Profit after tax	95.4	80.1
<b>Total comprehensive income after tax</b>	<b>95.4</b>	80.1

## Company Statement of Financial Position

As at 31 December 2014

	Notes	2014 £m	2013 £m
<b>Non-current assets</b>			
Investment in subsidiaries	15.1	1,030.8	1,002.0
		<b>1,030.8</b>	1,002.0
<b>Current assets</b>			
Trade and other receivables	18	2.6	–
Financial assets at fair value through profit or loss	17	34.6	18.7
Cash and cash equivalents	19.1	7.3	8.8
		<b>44.5</b>	27.5
<b>Total assets</b>		<b>1,075.3</b>	1,029.5
<b>Liabilities</b>			
Non-current trade and other payables	24	7.8	6.4
Current trade and other payables	24	147.4	108.6
<b>Total liabilities</b>		<b>155.2</b>	115.0
<b>Net assets</b>		<b>920.1</b>	914.5
<b>Capital and reserves</b>			
Share capital	25.2	142.4	140.4
Share premium		743.9	708.6
Own shares held		(94.7)	(69.4)
Profit and loss reserve		128.5	134.9
<b>Total equity</b>		<b>920.1</b>	914.5

The financial statements were approved by the Board of Directors and authorised for issue on 24 February 2015. They were signed on its behalf by:

**Richard Gillingwater**  
Chairman



## Company Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital £m	Share premium £m	Own shares held £m	Profit and loss reserve £m	Total equity £m
<b>At 1 January 2013</b>	139.3	693.8	(100.8)	154.8	887.1
Total comprehensive income after tax	–	–	–	80.1	80.1
Dividends paid to equity shareholders	–	–	–	(78.6)	(78.6)
Purchase of own shares	–	–	(9.8)	–	(9.8)
Vesting of share schemes	–	–	56.4	(56.4)	–
Issue of shares for share schemes	1.1	14.8	(15.2)	–	0.7
Movement in equity-settled share scheme expenses	–	–	–	35.0	35.0
<b>At 31 December 2013</b>	140.4	708.6	(69.4)	134.9	914.5
Total comprehensive income after tax	–	–	–	<b>95.4</b>	<b>95.4</b>
Dividends paid to equity shareholders	–	–	–	<b>(92.9)</b>	<b>(92.9)</b>
Purchase of own shares	–	–	<b>(33.0)</b>	–	<b>(33.0)</b>
Vesting of share schemes	–	–	<b>44.2</b>	<b>(44.2)</b>	–
Issue of shares for share schemes	<b>2.0</b>	<b>35.3</b>	<b>(36.5)</b>	–	<b>0.8</b>
Movement in equity-settled share scheme expenses	–	–	–	<b>35.3</b>	<b>35.3</b>
<b>At 31 December 2014</b>	<b>142.4</b>	<b>743.9</b>	<b>(94.7)</b>	<b>128.5</b>	<b>920.1</b>

## Company Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
<b>Cash flows generated from operating activities</b>			
Profit before tax		<b>95.4</b>	80.1
Changes in operating assets and liabilities	19.3	<b>21.7</b>	7.1
<b>Net cash flows generated from operating activities</b>		<b>117.1</b>	87.2
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		<b>7.3</b>	6.0
Purchase of own shares		<b>(33.0)</b>	(9.8)
Dividends paid to equity shareholders		<b>(92.9)</b>	(78.6)
<b>Net cash flows used in financing activities</b>		<b>(118.6)</b>	(82.4)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1.5)</b>	4.8
Cash and cash equivalents at beginning of year		<b>8.8</b>	4.0
<b>Cash and cash equivalents at end of year</b>	19.1	<b>7.3</b>	8.8

# 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 2014 were authorised for issue by the Board of Directors on 24 February 2015 and the respective statements of financial position were signed on the Board's behalf by the Chairman. Henderson Group plc is a public limited company incorporated in Jersey and tax resident in the United Kingdom. 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 as adopted by the European Union and the provisions of the Companies (Jersey) Law 1991.

### 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.

See the glossary to the Annual Report for definitions of certain accounting terms used in these financial statements.

##### Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of Henderson Group plc and its interests in subsidiaries and consolidated structured entities (together, consolidated entities), associates and joint ventures as at 31 December each year.

The financial statements of all the Group's significant consolidated entities are prepared to the same year end date as that of the Company. The financial statements of all material consolidated entities are prepared under either IFRS or local GAAP. Where prepared under local GAAP, balances reported by consolidated entities are adjusted to meet IFRS requirements for the purpose of the consolidated financial statements.

The results of consolidated entities 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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

The profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to any non-controlling interests. All intra-group assets and

liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a consolidated entity, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a consolidated entity, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Consolidated Income Statement. Any investment retained is recognised at fair value.

Interests in property closed-ended funds, private equity funds and open-ended pooled funds, such as OEICs and unit trusts, are accounted for as subsidiaries, consolidated structured entities or other financial investments depending on the economic interest of the Group assessed via fees earned and equity holdings and on the level of influence and control that the Group exercises through investment management and other contractual agreements. 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. Under the equity method of accounting, the Group presents its share of its economic interest in these investments in the financial statements.

##### Presentation of the Consolidated Income Statement

The Group maintains a columnar format for the presentation of its Consolidated Income Statement. The columnar format enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before certain acquisition related and non-recurring items. This is the profit measure used to calculate EPS on underlying profit (refer to note 10) and is considered to be the most appropriate as it better reflects the Group's underlying trading performance. Profit before acquisition related and non-recurring items is reconciled to profit before tax on the face of the Consolidated Income Statement.

The column 'Acquisition related and non-recurring items' comprises:

- acquisition related items: the amortisation of intangible assets, fair value changes and finance charges on contingent deferred consideration on business combinations, void property finance charges and costs in relation to pre-acquisition share awards; and
- non-recurring items: deemed to be one-off and material, when considering both size and nature.

These items are disclosed separately to give a clearer presentation of the Group's results and are analysed further in note 7.

##### Income recognition

###### Gross fee income

Fee income includes management fees and performance fees (including earned carried interest), net of rebates. Management fees are recognised in the accounting period in which the associated investment management service is provided. Performance fees are recognised when the prescribed performance hurdles are achieved and it is probable that a fee will crystallise as a result.

### Notes to the Financial Statements continued

#### Group and Company continued

#### 2.1 Significant accounting policies continued

##### Commissions

Commission and rebates on management fees are accounted for on an accruals basis and are recognised in the accounting period in which the associated management fee is earned.

##### Operating expenses

Operating expenses are accrued and recognised as incurred.

##### Finance income and expense

Interest income is recognised as it accrues using the effective interest rate method. Other net investment income is recognised on the date that the right to receive payment has been established. The net interest credit on the Group's retirement benefit asset has been recognised in finance income.

Finance expense is recognised on an accruals basis.

##### Post-employment retirement 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 the defined benefit schemes is recognised over the employees' service lives, based upon the actuarial cost for the accounting period, having considered the net interest credit or cost on the net defined benefit asset or liability. Recognised actuarial gains and losses 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 and when they become payable.

##### Share-based payment transactions

The Group issues share-based awards to employees, all of which are classified as equity-settled share-based payments. Equity-settled share-based payments are measured at the fair value of the shares 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 determination of fair value, using the Black-Scholes model at the date of grant is adjusted for the effects of market performance and behavioural considerations.

##### Income taxes

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

Deferred tax is provided 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. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are not recognised on goodwill but are recognised on separately identifiable intangible assets, where appropriate. 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 consolidated entities, 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 and Consolidated Statement of Changes in Equity is also recognised in the respective statement and not in the Consolidated Income Statement.

##### Sales taxes

Income and expenses are recognised net of sales taxes, except where the sales tax is irrecoverable, in which case the sales tax is recognised as part of the cost of acquisition of an asset or as an expense. Receivables and payables are stated with the amount of sales taxes included. The net amount of sales tax recoverable from, or payable to, the tax authority, is included within receivables or payables in the Consolidated Statement of Financial Position.

##### 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 daily exchange rates for the accounting period. Exchange differences arising, if any, are taken through the Consolidated Statement of Comprehensive Income to the translation reserve. Where net investment hedge accounting is applied using forward foreign currency contracts, the fair value movement on these contracts is also recognised within the translation reserve. In the

period in which an operation is disposed of, translation differences previously recognised in the translation reserve are recognised in the Consolidated Income Statement.

### Business combinations

All business combinations are accounted for using the acquisition method. 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 are expensed as incurred.

Contingent consideration, resulting from business combinations, is recognised at fair value at the acquisition date as part of the business combination, and discounted where the time value of money is material. The determination of the fair value is based on discounted cash flows, with the key assumptions being the probability of meeting each performance target and the discount factor applied. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date through the Consolidated Income Statement, along with finance charges where discounting has been applied.

### 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 the Group's cash generating unit based on its value in use. The value in use is based on forecasts approved by the Board, extrapolated for expected future growth rates and discounted at a risk adjusted discount rate based on the Group's pre-tax weighted average cost of capital. Where the value in use is less than the carrying amount, an impairment is recognised. Any impairment is recognised immediately through the Consolidated Income Statement and cannot subsequently be reversed. 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.

### Investment management contracts

Investment management contracts have been identified as a separately identifiable intangible asset arising on the acquisition of subsidiaries. Such contracts are recognised at the present value of the expected future cash flows of the investment management

contracts at the date of acquisition. The intangible asset is then amortised on a straight-line basis over the expected life of the contracts, currently estimated at between three and eight years.

### Computer software

The costs of purchasing and developing computer software 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 subsequently measured at cost less accumulated amortisation. Computer software is amortised over a period of three to seven years.

### Investments in subsidiaries

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

### Equity accounted investments

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. Investments are recognised initially at cost where purchased for cash, or at the fair value of shares received where acquired as part of a wider transaction. 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 after tax for the year, or period of ownership, if shorter.

### 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 costs 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.

### Held for sale classification

The Group classifies consolidated entities purchased exclusively with a view to resale, such as seed capital investments in funds, as held for sale, as their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The Group classified its Property business as held for sale, as its carrying amount was expected to be recovered principally through a sale transaction rather than through continuing use.

Assets and liabilities held for sale are measured at the lower of their carrying amount, and fair value less costs to sell.

### Notes to the Financial Statements continued

#### Group and Company continued

#### 2.1 Significant accounting policies continued

The criteria for held for sale classification are regarded as met only when the sale is expected to be completed within one year of the date of classification. Where the Group does not sell assets classified as held for sale within a year of classification and the circumstances to extend the one year period have not occurred, the assets will be derecognised from held for sale and consolidated line by line in the Consolidated Statement of Financial Position.

##### Discontinued operation

The Group has presented its Property business as a discontinued operation with its results excluded from those of continuing operations in the Consolidated Income Statement. Transaction costs, net of tax, incurred by the Group due to the disposal of the Property business, are also included within the discontinued operation line in the Consolidated Income Statement. Management has determined that the Property business represented a major line of business and therefore should be reported as a discontinued operation.

##### Financial instruments

Financial assets and liabilities are recognised at fair value in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of an instrument. The fair value recognised is 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 the risks and rewards of ownership. Financial liabilities cease to be recognised when the obligation under the liability has been discharged or 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 at fair value through profit or loss

Financial assets classified as fair value through profit or loss comprise the Group's manager box positions in OEICs and unit trusts, investments in the Group's fund products held by employee benefit trusts and seed capital investments designated as fair value through profit or loss. 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. Where investments in the Group's fund products are held against outstanding deferred compensation liabilities, any movement in the fair value of these assets will be offset by a corresponding movement in the deferred compensation liability in the Consolidated Income Statement.

##### Available-for-sale financial assets

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, it 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 and other receivables and cash

Trade receivables, which generally have 30 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 may 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, excluding deferred consideration, provisions and non-controlling interests in funds, 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.

##### 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.



Forward foreign currency contracts that are used to hedge the currency nominal value of certain non-GBP denominated 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value 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. 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.

### 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.

### Non-controlling interests in consolidated funds

For consolidated funds where a non-controlling interest is present, the non-controlling interest is presented as a liability where there is an obligation on the fund to repurchase units at the investor's request. Where the assets of the fund are presented as held for sale, the non-controlling interest is presented within held for sale liabilities. Where the assets of a fund are not classified as held for sale, the non-controlling interest is recognised in other creditors within trade and other payables.

## 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:

### Geneva Capital Management LLC acquisition

The acquisition of Geneva Capital Management LLC (Geneva) has required certain judgements and estimates to be made around the future performance of the business when accounting for the investment management contracts acquired and contingent deferred consideration payable in the future. The key estimates applied in valuing the investment management contracts were market growth and attrition rates which have been based around industry data for US equities and US institutional clients. The contingent deferred consideration is calculated in two tranches and payable over six years on an annual basis if revenue retention and growth targets are achieved. Management has estimated the revenue of the business over the six year period to arrive at a discounted liability which is recognised in the Consolidated Statement of Financial Position. In arriving at the recognised liability, management has applied estimates, including market growth rates based on long-term US equity data, expectations about the product range and growth potential of the business post acquisition and net flow data using client specific information and other assumptions supported by management's industry knowledge. See note 32.1 for further details on this acquisition.

### Impairment of intangible assets

Goodwill and investment management contracts are reviewed for impairment annually or more frequently if there are indicators that the carrying value may be impaired.

The judgement exercised by management in arriving at these valuations includes the selection of market growth rates, fund flow assumptions, expected margins and costs. Further details on these assumptions are given in note 14.

### 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.

### Notes to the Financial Statements continued

#### Group and Company continued

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

##### Consolidation of seed capital investments

From time to time, the Group invests seed capital on the launch of products, such as OEICs, SICAVs, hedge funds, property and private equity funds and other investment vehicles. The seed capital investments vary in duration depending on the nature of the investment. The Group reviews the size and nature of these investments to consider its level of influence or control over the underlying funds to warrant accounting for them using the equity method, consolidating them into the Group's financial statements or classifying them as held for sale.

Where the Group does not control the fund it holds seed capital investments in, the Group is also not deemed to hold significant influence over these funds. As the seed capital investments are intended to help establish a fund track record and provide sufficient capital until a fund has sufficient external client capital, it is more appropriate for the Group's interest to be shown as either an available-for-sale financial asset or a financial asset carried at fair value through profit or loss.

##### Interests in other entities

The Group has assessed whether the funds it manages are structured entities. The Group has considered the voting rights and other similar rights afforded to other parties in these funds including the rights to remove the Group as fund manager, liquidate the funds or redeem holdings in the funds and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

The Group has judged that its pooled investment funds are structured entities unless substantive removal or liquidation rights exist. Further details are provided in note 15.

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

Available-for-sale financial assets are reviewed for impairment at each reporting date or more frequently if there are indicators that the carrying value is impaired. 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.

##### Provisions

By their nature, provisions often reflect significant levels of judgement or estimates 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 31.

##### 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 and the likely timing of deduction of the relevant expenses.

##### Held for sale classification

An assessment was made as at 31 December 2014 that certain seed capital investments controlled by the Group met the definition to be classified as held for sale in the Consolidated Statement of Financial Position. As at 31 December 2013, the Property business and certain seed capital investments controlled by the Group met the definition to be classified as held for sale in the Consolidated Statement of Financial Position. The Property business was disposed of on 1 April 2014.

#### 2.3 Changes in accounting policies

The accounting policies adopted in this Annual Report are consistent with those of the previous financial year with the following exceptions caused by the adoption of the following standards on 1 January 2014. The Group has also adopted any IFRS or IFRS IC interpretations that are effective for the first time for the financial year beginning on 1 January 2014.

IFRS 10 Consolidated Financial Statements has resulted in certain seed capital investments to be consolidated as structured entities, as they meet the definition of control under this standard. The adoption of IFRS 10 has been applied retrospectively and the impact of the restatement is set out in note 33.

IFRS 11 Joint Arrangements has not resulted in any changes to the consolidated financial statements for the current or previously reported periods.

IFRS 12 Disclosure of Interests in Other Entities is a disclosure only standard and is set out in note 15.

#### 2.4 Future changes in accounting policies

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 January 2015. 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 9 Financial Instruments introduces new requirements for classification and measurement, impairment and hedge accounting. This standard is currently expected to become effective in 2018 or thereafter.

IFRS 15 Revenue from Contracts with Customers requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. This standard is currently expected to become effective in 2017.

Both IFRS 9 and IFRS 15 are subject to endorsement from the European Union.

The Group is assessing the impact of the above standards on the Group's future financial statements.



### 3. Income

#### Group

	Notes	2014 £m	2013 £m
<b>Gross fee and deferred income</b>			
Gross fee income		<b>648.9</b>	575.0
Amortisation of deferred income		<b>2.3</b>	3.2
		<b>651.2</b>	578.2
<b>Commissions and deferred acquisition costs</b>			
Commissions and fees payable		<b>(130.5)</b>	(114.3)
Amortisation of deferred acquisition and commission costs		<b>(1.9)</b>	(2.6)
		<b>(132.4)</b>	(116.9)
<b>Net fee income</b>		<b>518.8</b>	461.3
<b>(Loss)/income from associates and joint ventures</b>	15.2	<b>(2.1)</b>	1.8
<b>Finance income</b>			
Interest on cash and cash equivalents		<b>0.8</b>	0.5
Gain on disposal – ICICL	7	<b>11.5</b>	–
Seed capital investment gains		<b>3.6</b>	2.8
Other net investment income		<b>1.2</b>	0.5
Net interest credit on defined benefit pension schemes	21.2	<b>4.5</b>	6.4
		<b>21.6</b>	10.2
<b>Net income from continuing operations</b>		<b>538.3</b>	473.3

### 4. Expenses

#### 4.1 Operating expenses

#### Group

	Note	2014 £m	2013 (restated) £m
Employee compensation and benefits	5.2	<b>233.4</b>	214.5
Investment administration		<b>30.2</b>	24.4
Information technology		<b>17.6</b>	17.1
Operating leases		<b>6.9</b>	8.4
Office expenses		<b>8.1</b>	5.2
Foreign exchange gains		<b>(3.5)</b>	(3.1)
Other expenses		<b>38.5</b>	32.0
<b>Operating expenses from continuing operations</b>		<b>331.2</b>	298.5

Other expenses include marketing, travel and subsistence, legal and professional costs and irrecoverable sales taxes. Refer to note 33 for further detail on the restatement.

## Notes to the Financial Statements continued

### Group and Company continued

#### 4.2 Auditors' remuneration

##### Group and Company

This note discloses the total remuneration payable to the Group's auditors. PwC replaced Ernst & Young as the Group's auditor on 1 May 2014 following shareholder approval at the Group's 2014 AGM.

	2014 £m
Fees payable to PwC for the audit of the Group's consolidated financial statements	0.1
Fees payable to PwC and their associates for other services:	
– statutory audit of the Group's subsidiaries	0.5
– audit related assurance services	0.2
– other assurance services	0.2
– tax services	0.1
<b>Total fees</b>	<b>1.1</b>

The above analysis reflects the amounts billed by PwC or accrued by the Group in 2014. Included in the fees payable to the Group's auditors for the audit of the Group's 2014 consolidated financial statements are fees of £28,544 for the audit of the Company's 2014 financial statements.

Audit related assurance services include the half year review of the Group's interim results and the auditors' engagement covering client money. Other assurance services primarily relate to the work on the Group's AAF controls report. Tax services include compliance services in several non-UK jurisdictions and some advisory work for which PwC was engaged prior to their appointment as corporate auditor. The Group has strict policies in place that restrict the use of the Group's auditors with respect to non-audit services and management expects the fees payable for tax advisory services to decrease in the future.

	2013 £m
Fees payable to Ernst & Young for the audit of the Group's consolidated financial statements	0.3
Fees payable to Ernst & Young and their associates for other services:	
– statutory audit of the Group's subsidiaries	0.7
– other services pursuant to legislation	0.2
<b>Total fees</b>	<b>1.2</b>

The above analysis reflects the amounts billed by Ernst & Young or accrued by the Group in 2013. Included in the fees payable to Ernst & Young for the audit of the Group's 2013 consolidated financial statements are fees of £30,000 for the audit of the Company's 2013 financial statements.

## 5. Employee compensation and benefits

### 5.1 Number of employees

The number of full-time employees was as follows:

	Average <sup>1</sup>		As at 31 December <sup>1</sup>	
	2014 no.	2013 no.	2014 no.	2013 no.
<b>Number of employees relating to continuing operations</b>	<b>875</b>	812	<b>922</b>	831
<b>Number of employees relating to total operations</b>	<b>928</b>	1,009	<b>922</b>	1,029

1. Excluding those working on capitalised projects.

The number of employees relating to total operations in 2013 includes a full year of property staff in comparison to three months in 2014 as staff transferred with the Property business on 1 April 2014. The increase in the number of employees during the year includes 25 staff that joined the Group on the acquisition of Geneva on 1 October 2014.

The Company had no full-time employees during 2014 or 2013. Non-executive directors of the Company are not classified as full-time employees.

## 5.2 Analysis of employee compensation and benefits expense

Employee compensation and benefits expense comprises the following:

		Group		Company	
	Note	2014 £m	2013 (restated) £m	2014 £m	2013 £m
Salaries, wages and bonuses		175.3	152.6	0.3	–
Share-based payments	11.2	27.4	27.9	–	–
Social security costs		24.1	27.6	–	–
Pension service cost		6.6	6.4	–	–
<b>Employee compensation and benefits expense from continuing operations</b>		<b>233.4</b>	<b>214.5</b>	<b>0.3</b>	<b>–</b>

## 6. Finance expenses

Group

	Note	2014 £m	2013 £m
Debt instruments interest expense		11.3	11.3
Bank facility and arrangement fees		–	(0.2)
Void property finance charge	22	1.2	1.3
Geneva deferred consideration finance charge		0.3	–
Other		0.3	–
<b>Total finance expenses</b>		<b>13.1</b>	<b>12.4</b>

## 7. Acquisition related and non-recurring items from continuing operations

		2014			2013		
	Notes	Acquisition related items £m	Non-recurring items £m	Total £m	Acquisition related items £m	Non-recurring items £m	Total £m
<b>Loss from associates and joint ventures</b>							
Associate intangible amortisation		1.8	–	1.8	–	–	–
TH Real Estate establishment costs		–	5.4	5.4	–	–	–
		1.8	5.4	7.2	–	–	–
<b>Finance income</b>							
ICICL disposal		–	(11.5)	(11.5)	–	–	–
		–	(11.5)	(11.5)	–	–	–
<b>Operating expenses and amortisation</b>							
Intangible amortisation	14	53.7	–	53.7	51.8	–	51.8
FSCS refund		–	(2.9)	(2.9)	–	–	–
Geneva deal and integration costs		–	4.2	4.2	–	–	–
Gartmore related employee share award		–	–	–	5.1	–	5.1
		53.7	1.3	55.0	56.9	–	56.9
<b>Finance expenses</b>							
Void property finance charge	22	1.2	–	1.2	1.3	–	1.3
Geneva deferred consideration finance charge		0.3	–	0.3	–	–	–
		1.5	–	1.5	1.3	–	1.3
<b>Total loss/(profit) before tax from continuing operations</b>		<b>57.0</b>	<b>(4.8)</b>	<b>52.2</b>	<b>58.2</b>	<b>–</b>	<b>58.2</b>
Tax credit		(11.2)	(0.7)	(11.9)	(17.8)	–	(17.8)
<b>Total loss/(profit) after tax from continuing operations</b>		<b>45.8</b>	<b>(5.5)</b>	<b>40.3</b>	<b>40.4</b>	<b>–</b>	<b>40.4</b>

Non-recurring items relating to the discontinued operation are analysed in note 9.1.

## Notes to the Financial Statements continued

### Group and Company continued

#### 7.1 Non-recurring items

##### 2014

##### TH Real Estate establishment costs

TH Real Estate incurred one-off establishment costs, of which £5.4m is the Group's share (after tax where applicable), for the year ended 31 December 2014.

##### Intrinsic Cirilium Investment Company Limited (ICICL) disposal

The Group completed the sale of its 50% stake in ICICL, resulting in an £11.5m gain.

##### FSCS refund

The Financial Services Compensation Scheme (FSCS) has made a partial refund to the Group of £2.9m relating to the 2010/2011 Keydata cross subsidy levy. This amount has been recognised as a credit in operating expenses to reflect the original treatment of the expense recognised in 2010 and 2012.

##### Geneva deal and integration costs

Deal and integration costs of £4.2m have been incurred by the Group during the year relating to the acquisition of Geneva.

##### 2013

No non-recurring items relating to continuing operations were recognised in the year.

## 8. Tax

### Tax recognised in the income statement

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Current tax:				
– charge for the year	42.1	19.5	–	–
– prior year adjustments	(5.4)	(6.3)	–	–
Deferred tax:				
– credit for the year	(13.4)	(16.4)	–	–
– prior year adjustments	1.6	5.5	–	–
<b>Total tax charged to the income statement</b>	<b>24.9</b>	<b>2.3</b>	<b>–</b>	<b>–</b>

### Tax recognised in the statement of comprehensive income

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Deferred tax credit in relation to available-for-sale financial assets	(0.1)	(0.1)	–	–
Deferred tax credit in relation to actuarial gains/(losses)	(0.1)	(0.1)	–	–
<b>Total tax credited to the statement of comprehensive income</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>–</b>	<b>–</b>

### Reconciliation of profit before tax to tax charge

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

#### Group

	2014 £m	2013 £m
Profit before tax from total operations	283.4	127.4
Tax charge at the UK corporation tax rate of 21.5% (2013: 23.25%)	60.9	29.6
<i>Factors affecting the tax charge:</i>		
Non-taxable income and disallowable expenditure	(20.0)	(7.1)
Differences in effective tax rates on overseas profits	(11.2)	(9.8)
Prior period adjustments	(3.8)	(0.8)
Utilisation of previously unrecognised temporary difference	(2.2)	(6.1)
Changes in statutory tax rates	0.9	(3.4)
Other items	0.3	(0.1)
<b>Total tax charged to the Consolidated Income Statement</b>	<b>24.9</b>	<b>2.3</b>

## Company

	2014 £m	2013 £m
Profit before tax	95.4	80.1
Tax charge at the UK corporation tax rate of 21.5% (2013: 23.25%)	20.5	18.6
<i>Factors affecting the tax charge:</i>		
Non-taxable income and disallowable expenditure	(21.0)	(19.0)
Group relief surrender	0.5	0.4
<b>Total tax charged to the Company Income Statement</b>	<b>–</b>	<b>–</b>

## 9. Discontinued operation and assets and liabilities classified as held for sale

### 9.1 Discontinued operation

On 1 April 2014, the Group completed transactions which resulted in the disposal of the Property business and simultaneously recognised a 40% share in the newly formed joint venture – TH Real Estate. Prior to the disposal, the Group continued to consolidate the Property business and recognised a £6.3m underlying profit after tax from its operations in 2014. The Property business was classified as a discontinued operation in 2013 and 2014. The results of this business are presented below.

	2014 £m	2013 £m
Net fee income	19.3	62.4
Income from associates and joint ventures	0.1	1.6
Finance income	0.2	–
Net income	19.6	64.0
Operating expenses	(12.0)	(39.3)
Depreciation	–	(0.1)
<b>Underlying profit before tax from discontinued operation</b>	<b>7.6</b>	<b>24.6</b>
Tax on underlying profit	(1.3)	(2.9)
<b>Underlying profit after tax from discontinued operation</b>	<b>6.3</b>	<b>21.7</b>
Acquisition related items – intangible amortisation	–	(0.2)
Non-recurring items – profit on disposal of Property business	148.9	–
Non-recurring items – deal and separation costs	(8.7)	(4.3)
Tax (charge)/credit on acquisition related and non-recurring items	(14.9)	0.7
<b>Profit after tax from discontinued operation</b>	<b>131.6</b>	<b>17.9</b>

### Profit on disposal of Property business

	2014 £m
Cash consideration	114.2
40% contribution of TH Real Estate joint venture	74.8
Amounts receivable in respect of net assets sold at net book value	9.1
<b>Total consideration</b>	<b>198.1</b>
Disposal of:	
– goodwill and intangible assets allocated to Property business	(33.3)
– other net tangible assets	(15.9)
<b>Net assets disposed</b>	<b>(49.2)</b>
<b>Profit on disposal before tax and deal and separation costs</b>	<b>148.9</b>
Deal and separation costs	(8.7)
<b>Profit before tax on disposal</b>	<b>140.2</b>
Tax charge on profit on disposal	(14.9)
<b>Profit after tax on disposal</b>	<b>125.3</b>

## Notes to the Financial Statements continued

### Group and Company continued

#### 9.2 Assets and liabilities classified as held for sale

	2014			2013		
	Seed capital investments £m	Property business £m	Total £m	Seed capital investments £m	Property business £m	Total £m
Intangible assets	–	–	–	–	38.7	38.7
Investments accounted for using the equity method	–	–	–	–	4.3	4.3
Financial assets at fair value through profit or loss	71.7	–	71.7	–	–	–
Property and equipment	–	–	–	–	0.2	0.2
Available-for-sale financial assets	4.8	–	4.8	38.0	0.2	38.2
Trade and other receivables	–	–	–	–	9.0	9.0
Prepayments	–	–	–	–	0.1	0.1
Cash and cash equivalents	8.3	–	8.3	–	15.3	15.3
<b>Total assets classified as held for sale</b>	<b>84.8</b>	<b>–</b>	<b>84.8</b>	<b>38.0</b>	<b>67.8</b>	<b>105.8</b>
Trade and other payables	26.0	–	26.0	–	5.0	5.0
Current tax liabilities	–	–	–	–	0.6	0.6
<b>Total liabilities classified as held for sale</b>	<b>26.0</b>	<b>–</b>	<b>26.0</b>	<b>–</b>	<b>5.6</b>	<b>5.6</b>

## 10. Earnings per share

### Group

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

	2014 no. (millions)	2013 no. (millions)
Issued share capital	1,130.9	1,117.7
Less: own shares held	(45.7)	(58.9)
<b>Weighted average number of ordinary shares for the purpose of basic earnings per share</b>	<b>1,085.2</b>	<b>1,058.8</b>
Add: potential dilutive impact of share options and awards	54.6	78.2
<b>Weighted average number of ordinary shares for the purpose of diluted earnings per share</b>	<b>1,139.8</b>	<b>1,137.0</b>

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 awards of shares to employees, which are anticipated to be exercised based on market conditions as at 31 December 2014.

### 10.1 On continuing underlying profit after tax attributable to equity holders of the parent

#### Earnings

	2014 £m	2013 £m
Continuing profit after tax attributable to equity holders of the parent	126.9	107.2
Add back:		
Acquisition related and non-recurring items after tax (note 7)	40.3	40.4
<b>Earnings for the purpose of basic and diluted earnings per share</b>	<b>167.2</b>	<b>147.6</b>

#### Earnings per share

	2014 pence	2013 pence
Basic	15.4	13.9
Diluted	14.7	13.0



## 10.2 On total underlying profit after tax attributable to equity holders of the parent

### Earnings

	2014 £m	2013 £m
Total profit after tax attributable to equity holders of the parent	258.5	125.1
(Less)/add back:		
Acquisition related and non-recurring items after tax	(85.0)	44.2
<b>Earnings for the purpose of basic and diluted earnings per share</b>	<b>173.5</b>	<b>169.3</b>

### Earnings per share

	2014 pence	2013 pence
Basic	16.0	16.0
Diluted	15.2	14.9

## 10.3 On continuing profit after tax attributable to equity holders of the parent

### Earnings

	2014 £m	2013 £m
<b>Earnings for the purpose of basic and diluted earnings per share</b>	<b>126.9</b>	<b>107.2</b>

### Earnings per share

	2014 pence	2013 pence
Basic	11.7	10.1
Diluted	11.1	9.4

## 10.4 On total profit after tax attributable to equity holders of the parent

### Earnings

	2014 £m	2013 £m
<b>Earnings for the purpose of basic and diluted earnings per share</b>	<b>258.5</b>	<b>125.1</b>

### Earnings per share

	2014 pence	2013 pence
Basic	23.8	11.8
Diluted	22.7	11.0

## 10.5 On discontinued profit after tax attributable to equity holders of the parent

### Earnings

	2014 £m	2013 £m
<b>Earnings for the purpose of basic and diluted earnings per share</b>	<b>131.6</b>	<b>17.9</b>

### Earnings per share

	2014 pence	2013 pence
Basic	12.1	1.7
Diluted	11.5	1.6

### Notes to the Financial Statements continued

#### Group and Company continued

#### 11. Share-based payments

##### Group

##### 11.1 Share-based compensation plans

The Group operates a number of share-based compensation plans, being the Restricted Share Plan, Employee Share Ownership Plan, Long-Term Incentive Plan, Deferred Equity Plan, Buy As You Earn Share Plan, Company Share Option Plan, Executive Shared Ownership Plan and Sharesave Scheme. Further details of the material plans in operation during 2014 are set out below:

##### Deferred Equity Plan (DEP)

Employees who receive cash-based incentive awards over a preset threshold, have an element deferred. The deferred awards are deferred into the Company's shares, or into Group managed funds. The DEP trustee purchases Company shares and units or shares in Group managed funds and holds them in trust. Awards are deferred for up to three years and vest in three equal tranches. Those employees who elected to participate in the 2011 ESOP, have their restricted shares, upon vesting, automatically transfer into the 2011 ESOP as purchased shares. They will attract matching shares subject to the performance and employment conditions of that plan.

The 2012 and 2013 DEP have a matching share element where employees, excluding Executive Directors, are awarded one matching share for every three restricted shares held in trust on the third anniversary of the award. One third of the restricted shares will become unrestricted on each anniversary. If an employee requests to receive any of the unrestricted shares prior to the third anniversary, the related matching shares will be forfeited. Forfeiture conditions apply in the case of leavers.

The expense of deferred short-term incentive awards (including social security costs) is recognised in the Consolidated Income Statement over the period of deferral. As at 31 December 2014, £42.8m (2013: £29.4m) of the expense of deferred awards relating to continuing operations is to be recognised in future periods.

##### Employee Share Ownership Plan (ESOP)

The 2011 ESOP enabled all staff, including Executive Directors, to defer part of their cash-based incentive awards 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 performance of the Group TSR and Company share price. The matching shares vest on the third, fourth and fifth anniversaries, if the conditions have been met on each anniversary. At the end of 2014, the TSR performance condition allows for 0.5 matching shares on one third of the purchased shares to vest in May 2015 (2013: 1.5 matching shares).

##### Restricted Share Plan (RSP)

The RSP 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 larger awards generally have performance hurdles. The Remuneration Committee approves all awards and the vesting of awards over £50,000. On vesting, the employee must satisfy any employee tax and social security obligations.

## Long-Term Incentive Plan (LTIP)

The LTIP awards provide selected employees restricted shares or £nil cost options that have employment conditions and performance conditions attached as shown below. Employees who have been awarded such options have five years to exercise their options following the three year vesting period for LTIP 2012 and 2013 and five and four years to exercise their options following the three and four year vesting periods (respectively) for LTIP 2014.

Criteria	Amount vesting
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%

If the Henderson Group TSR is between the 50th and 75th percentiles, the amount vesting will increase on a linear basis. The Remuneration Committee must also be satisfied the Henderson Group TSR reflects the underlying performance of the Group. For the 2012, 2013 and 2014 LTIP, the performance hurdle was 95% relative to Henderson Group TSR and 5% on risk and sustainability metrics.

Employees may be entitled to dividend equivalents, subject to approval by the Board, once the LTIP is vested based on the dividends declared during the three year vesting period in respect of the shares that vest. The dividend equivalents are payable in two equal tranches, one and two year(s) after vesting. However, 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.

The 2011 LTIP met its vesting conditions on 31 December 2013 and 78% of awards vested in April 2014. The 2012 LTIP met its vesting conditions on 31 December 2014 and 43% of awards will vest in April 2015.

## 11.2 Share-based payments through the Consolidated Income Statement from continuing operations

	2014 £m	2013 £m
DEP	12.5	10.4
RSP	5.4	3.5
LTIP	3.8	4.1
ESOP	2.7	3.4
CSOP	0.9	0.5
ExSOP	0.9	0.4
BAYE	0.8	1.3
SAYE	0.4	0.4
Gartmore related employee share award	—	3.9
<b>Share-based payments expense</b>	<b>27.4</b>	<b>27.9</b>

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

	2014 £m	2013 £m
Share-based payments charged to the Consolidated Income Statement from continuing operations	27.4	27.9
Share-based payments charged to the Consolidated Income Statement from discontinued operation	1.4	1.7
Other equity-settled bonuses and other movements	6.5	5.4
<b>Amounts settled through equity</b>	<b>35.3</b>	<b>35.0</b>

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

## Notes to the Financial Statements continued

### Group and Company continued

#### 11.3 Fair value of share-based compensation plans

The following share schemes involve the grant of shares and options 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. LTIP fair values have been discounted on the basis that the option holder has no entitlement to dividends over the vesting period of the option. Dividend equivalents, should they be awarded, will be treated as separate, cash-settled awards. No adjustments have been made for dividends relating to the DEP, BAYE and RSP.

	2014		2013	
	Shares/ options granted no.	Average grant share price £	Shares/ options granted no.	Average grant share price £
LTIP	5,842,500	2.40	8,115,000	1.37
DEP	4,334,868	2.60	6,782,461	1.64
RSP	2,496,305	2.42	1,169,905	1.68

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.

#### 12. Dividends paid and proposed

##### Company

	2014 £m	2014 pence per share	2013 £m	2013 pence per share
<b>Dividends on ordinary shares declared and paid in the year</b>				
Final dividend in respect of 2H13 (2H12)	64.0	5.85	55.1	5.05
Interim dividend in respect of 1H14 (1H13)	28.9	2.60	23.5	2.15
<b>Total dividends paid and charged to equity</b>	<b>92.9</b>	<b>8.45</b>	<b>78.6</b>	<b>7.20</b>

	2014 £m	2014 pence per share	2013 £m	2013 pence per share
<b>Dividends proposed on ordinary shares for approval by the shareholders at the AGM</b>				
Final dividend for 2H14 (2H13)	72.9	6.40	65.7	5.85

The Board is recommending a final dividend for 2H14 of 6.40 pence per share which, when added to the interim 1H14 dividend of 2.60 pence per share, results in a total dividend for 2014 of 9.00 pence per share. The final dividend proposed in respect of 2H14 of £72.9m is based on the total number of ordinary shares in issue at 31 December 2014. There was a £2.3m decrease between the proposed dividends (2H13 final: £65.7m and 1H14 interim: £29.5m), as reported in the 2013 Annual Report and the Interim Report for the six months ended 30 June 2014, versus the dividends paid out during the year (2H13 final: £64.0m and 1H14 interim: £28.9m). This represents 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 in respect of 2H14 will be established by the employee benefit trust trustees on 8 May 2015, being the dividend record date.

### 13. Segmental information

#### Group

Henderson is an investment manager, operating throughout Europe and with operations in North America, Asia and Australia. The Group manages a broad range of actively managed investment products for institutional and retail investors, across five capabilities, being European Equities, Global Equities, Global Fixed Income, Multi-Asset and Alternatives, including Private Equity and Property. 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

	2014 £m	2013 £m
<b>Revenues by product on continuing operations</b>		
UK OEICs/unit trusts	254.9	247.7
SICAVs	178.7	138.4
Offshore absolute return funds	63.3	61.9
US mutuals	57.1	37.0
Institutional segregated mandates and cash funds	51.8	46.9
Other	45.4	46.3
<b>Gross fee and deferred income</b>	<b>651.2</b>	<b>578.2</b>

#### Geographic information

	2014 £m	2013 £m
<b>Revenues from clients on continuing operations</b>		
UK	447.2	443.4
Luxembourg	132.3	83.1
Americas	66.5	44.1
Singapore	1.9	2.2
Australia	1.1	0.6
Japan	0.8	1.6
Other	1.4	3.2
<b>Gross fee and deferred income</b>	<b>651.2</b>	<b>578.2</b>

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

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

	2014 £m	2013 £m
<b>Non-current assets</b>		
UK	670.4	653.2
Americas	88.3	3.8
Other	8.7	3.4
	<b>767.4</b>	<b>660.4</b>

Non-current assets for this purpose consist of intangible assets, investments accounted for using the equity method and property and equipment.

## Notes to the Financial Statements continued

### Group and Company continued

#### 14. Intangible assets

##### Group

Intangible assets are analysed as follows:

##### 2014

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
<b>Cost</b>				
<b>At 1 January</b>	482.8	310.7	10.8	804.3
Additions	34.2	48.9	4.1	87.2
Adjustment to assets classified as held for sale	5.4	–	–	5.4
Impact of foreign exchange movement	1.3	1.9	–	3.2
<b>At 31 December</b>	523.7	361.5	14.9	900.1
<b>Accumulated amortisation</b>				
<b>At 1 January</b>	–	(164.8)	(1.6)	(166.4)
Charge	–	(53.7)	(2.1)	(55.8)
<b>At 31 December</b>	–	(218.5)	(3.7)	(222.2)
<b>Carrying value at 31 December</b>	<b>523.7</b>	<b>143.0</b>	<b>11.2</b>	<b>677.9</b>

##### 2013

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
<b>Cost</b>				
<b>At 1 January</b>	515.6	310.9	5.5	832.0
Additions	5.5	0.5	5.3	11.3
Transferred to assets classified as held for sale	(38.3)	(0.7)	–	(39.0)
<b>At 31 December</b>	482.8	310.7	10.8	804.3
<b>Accumulated amortisation</b>				
<b>At 1 January</b>	–	(113.1)	(1.2)	(114.3)
Charge from continuing operations	–	(51.8)	(0.4)	(52.2)
Charge from discontinued operation	–	(0.2)	–	(0.2)
Transferred to assets classified as held for sale	–	0.3	–	0.3
<b>At 31 December</b>	–	(164.8)	(1.6)	(166.4)
<b>Carrying value at 31 December</b>	<b>482.8</b>	<b>145.9</b>	<b>9.2</b>	<b>637.9</b>

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

The recoverable value of goodwill for the Group at 31 December 2014 has been determined by a value in use calculation, using cash flows based on the Group's annual budget and five year forecasts approved by the Board and a terminal value for the period thereafter. The key assumptions applied to the Group's annual budget and five year forecast are market performance and net fund flows. Management determined these key assumptions by assessing current market conditions and through the utilisation of forward looking external evidence.

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, which does not exceed market expectations.

A pre-tax risk adjusted discount rate of 11.9% per annum has been applied. The resultant value in use calculation has been compared with the carrying value of the Group's goodwill to determine if any goodwill impairment arises. The calculation shows significant headroom in the recoverable value of goodwill. Sensitivities were performed by adjusting key assumptions for reasonable possible changes, with the model continuing to show significant headroom.

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



## 15. Interest in other entities

The Group operates as a global investment manager and reports its results to the Board on an aggregated basis. The Group manages its operations via investments in subsidiaries, associates and joint ventures and interests in structured entities.

The Group's interests in structured entities are through employee benefit trusts and seed capital investments in funds. Employee benefit trusts are consolidated and are for the purpose of administering the Group's share-based payment arrangements. Further details of the Group's share-based payment arrangements are set out in note 11. The Group holds interests in funds via seed capital investments and investment management agreements, for which it earns management fees and, in certain funds, performance fees. Segregated mandates and investment trusts do not give the Group any rights over the client or trust who have the right to remove the Group as manager, a right similar to a voting right. As such, segregated mandates and investment trusts are not structured entities. Management has determined that the Group acts as agent for unconsolidated funds due to its relatively low economic exposure and variability of returns.

The Group is exposed to structured entities via the risk that their AUM decreases which will cause a fall in the Group's income. Considering the potential for changes in the AUM of structured entities, management has determined that the Group's structured entities should be aggregated by the type of vehicle. As all of the Group's unconsolidated funds that meet the definition of a structured entity are in pooled investment funds, disclosures have been made on this basis. Refer to note 15.3.

### 15.1 Principal subsidiaries

#### Company

##### Investment in subsidiaries

	2014 £m	2013 £m
<b>At 31 December</b>	<b>1,030.8</b>	1,002.0

The wholly owned and directly held subsidiary of the Company is as follows:

	Country of incorporation and principal place of operation	Functional currency
Henderson Group Holdings Asset Management Limited	UK	GBP

#### 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
Geneva Capital Management LLC	USA	USD
Henderson Administration Limited	UK	GBP
Henderson Alternative Investment Advisor Limited	UK	GBP
Henderson Equity Partners Limited	UK	GBP
Henderson Fund Management Limited	UK	GBP
Henderson Global Investors (Australia) Limited	Australia	AUD
Henderson Global Investors Equity Planning Inc.	USA	USD
Henderson Global Investors (Holdings) Limited	UK	GBP
Henderson Global Investors (Japan) Limited	Japan	JPY
Henderson Global Investors Limited	UK	GBP
Henderson Global Investors (North America) Inc.	USA	USD
Henderson Global Investors (Singapore) Limited	Singapore	SGD
Henderson Investment Funds Limited	UK	GBP
Henderson Investment Management Limited	UK	GBP
Henderson Management SA	Luxembourg	USD
Henderson UK Finance plc	UK	GBP
HGI Group Limited	UK	GBP
HGI (Investments) Limited	UK	GBP

## Notes to the Financial Statements continued

### Group and Company continued

#### 15.1 Principal subsidiaries continued

The Group held 100% of the principal subsidiaries at 31 December 2014 and 31 December 2013 with the exception of Geneva Capital Management LLC which was acquired on 1 October 2014. 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. The Group has a number of regulated subsidiaries which are subject to the capital requirements of certain regulatory bodies which can restrict their ability to remit funds to an immediate, intermediate or ultimate holding company within the Group. 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.

#### 15.2 Investments accounted for using the equity method

##### Group

The Group holds interests in the following associates and joint ventures managed through shareholder agreements with third party investors, accounted for under the equity method. The Group considers its investment in TH Real Estate, a property joint venture with TIAA-CREF, to be its only material holding.

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2014	Percentage owned 2013
Asia Real Estate Fund Management BVI	British Virgin Islands and Singapore	USD	—	50%
Asia Real Estate Fund Management Limited	Singapore	SGD	—	50%
Attunga Capital Pty Limited	Australia	AUD	—	30%
HGI Immobilien GmbH	Germany	EUR	—	50%
Intrinsic Cirilium Investment Company Limited	UK	GBP	—	50%
Northern Pines Henderson Capital GP LLC	USA	USD	50%	50%
Northern Pines Henderson Capital LLC	USA	USD	50%	50%
Optimum Investment Management Limited	UK	GBP	50%	50%
TIAA Henderson Real Estate Limited	UK	GBP	40%	—
Warburg-HendersonKapitalanlagegesellschaft für Immobilien mbH	Germany	EUR	—	50%
90 West Asset Management Limited	Australia	AUD	41%	32%

The Group's share of net income/(loss) after tax from associates and joint ventures is as follows:

	2014 £m	2013 £m
TH Real Estate underlying income	2.7	—
TH Real Estate acquisition related and non-recurring items	(7.2)	—
Total TH Real Estate share of loss	(4.5)	—
Income from other associates and joint ventures	2.4	1.8
Total share of (loss)/income	(2.1)	1.8

A summary of the total net assets and total profit and loss of TH Real Estate is provided below:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Non-current assets	173.7	—
Current assets	50.9	—
Current liabilities	(51.2)	—
Non-current liabilities	(3.4)	—
Net assets	170.0	—

For the 9 months ended 31 December 2014			
	Underlying profit £m	Acquisition related and non-recurring items £m	Total £m
Revenue	49.4	—	49.4
Operating expenses	(39.4)	(2.8)	(42.2)
Amortisation and depreciation	(1.2)	(5.6)	(6.8)
<b>Profit/(loss) before tax</b>	<b>8.8</b>	<b>(8.4)</b>	<b>0.4</b>
Tax (charge)/credit	(2.1)	1.6	(0.5)
<b>Profit/(loss) after tax</b>	<b>6.7</b>	<b>(6.8)</b>	<b>(0.1)</b>

Included in TH Real Estate's current assets is £21.7m of cash and cash equivalents. The Group is due £12.2m from TH Real Estate relating to trading and other assets and TH Real Estate has also issued a loan to the Group of £3.3m bearing annual interest at 4.0% above the Bank of England base rate. In addition to the £0.1m loss above, TH Real Estate also incurred establishment costs of £11.3m (Group's share after tax of £4.5m recognised in non-recurring items).

### 15.3 Interests in unconsolidated structured entities

A reconciliation of AUM reported by the Group to AUM in funds that meet the definition of an unconsolidated structured entity is as follows:

£bn	Total AUM	Less: segregated mandates and investment trusts	Less: consolidated pooled investment funds	Pooled investment funds AUM
<b>31 December 2014</b>	<b>81.2</b>	<b>(26.6)</b>	<b>(0.1)</b>	<b>54.5</b>

During the year, the Group recognised income of £575.4m from unconsolidated structured entities in the Consolidated Income Statement.

The Group has the following exposure to unconsolidated structured entities, which equates to the Group's maximum exposure to loss:

£m	Trade debtors	Accrued income	Seed capital investments	Total
<b>31 December 2014</b>	<b>7.6</b>	<b>127.5</b>	<b>3.5</b>	<b>138.6</b>

## 16. Property and equipment

Group

	2014 £m	2013 £m
<b>Cost</b>		
<b>At 1 January</b>	<b>32.1</b>	36.8
Additions	1.6	2.8
Disposals	(8.8)	(7.2)
Transferred to assets classified as held for sale	—	(0.3)
Impact of foreign exchange movement	0.1	—
<b>At 31 December</b>	<b>25.0</b>	32.1
<b>Accumulated depreciation</b>		
<b>At 1 January</b>	<b>(15.1)</b>	(18.8)
Charge	(2.6)	(3.0)
Disposals	7.8	6.6
Transferred to assets classified as held for sale	—	0.1
<b>At 31 December</b>	<b>(9.9)</b>	(15.1)
<b>Net book value at 31 December</b>	<b>15.1</b>	17.0

## Notes to the Financial Statements continued

### Group and Company continued

#### 17. Fair value of financial instruments

##### Group

##### Total financial assets and liabilities

The following table sets out the financial assets and liabilities of the Group:

	Notes	Carrying value		Fair value	
		2014 £m	2013 (restated) £m	2014 £m	2013 (restated) £m
Financial assets at fair value through profit or loss		<b>35.9</b>	19.6	<b>35.9</b>	19.6
Financial assets at fair value through profit or loss classified as held for sale	9.2	<b>71.7</b>	–	<b>71.7</b>	–
<b>Total financial assets at fair value through profit or loss</b>		<b>107.6</b>	19.6	<b>107.6</b>	19.6
Available-for-sale financial assets		<b>71.0</b>	62.1	<b>71.0</b>	62.1
Available-for-sale financial assets classified as held for sale	9.2	<b>4.8</b>	38.2	<b>4.8</b>	38.2
<b>Total available-for-sale financial assets</b>		<b>75.8</b>	100.3	<b>75.8</b>	100.3
Accrued income, OEIC and unit trust debtors and trade and other debtors		<b>267.6</b>	244.6	<b>267.6</b>	244.6
Accrued income, OEIC and unit trust debtors and trade and other debtors classified as held for sale	9.2	<b>–</b>	9.0	<b>–</b>	9.0
Cash and cash equivalents	19.1	<b>234.5</b>	217.0	<b>234.5</b>	217.0
Cash and cash equivalents classified as held for sale	9.2	<b>8.3</b>	15.3	<b>8.3</b>	15.3
<b>Total loans and receivables</b>		<b>510.4</b>	485.9	<b>510.4</b>	485.9
<b>Total financial assets</b>		<b>693.8</b>	605.8	<b>693.8</b>	605.8
Debt instrument in issue	20	<b>149.4</b>	148.9	<b>157.4</b>	159.5
Trade and other payables (excluding deferred income)		<b>327.0</b>	359.1	<b>327.0</b>	359.1
Trade and other payables (excluding deferred income) classified as held for sale		<b>–</b>	4.3	<b>–</b>	4.3
<b>Total loans and payables carried at amortised cost</b>		<b>476.4</b>	512.3	<b>484.4</b>	522.9
Trade and other payables at fair value through profit or loss		<b>31.1</b>	23.3	<b>31.1</b>	23.3
Trade and other payables at fair value through profit or loss classified as held for sale	9.2	<b>26.0</b>	–	<b>26.0</b>	–
Provisions		<b>12.8</b>	17.6	<b>12.8</b>	17.6
<b>Total financial liabilities at fair value through profit or loss</b>		<b>69.9</b>	40.9	<b>69.9</b>	40.9
<b>Total financial liabilities</b>		<b>546.3</b>	553.2	<b>554.3</b>	563.8

Financial assets at fair value through profit or loss mainly consist of seed capital investments and investments in the Group's fund products which are held, in employee benefit trusts, against outstanding deferred compensation arrangements. Any movement in the fair value of the assets held against deferred compensation liabilities is offset by a corresponding movement in the deferred compensation liability. Both movements are recognised through the Consolidated Income Statement. Available-for-sale financial assets consist of seed capital investments.

The Group enters into forward foreign exchange contracts to hedge seed capital investments classified as available-for-sale and as fair value through profit or loss financial assets denominated in foreign currency. Forward foreign exchange contracts are also used to hedge the translation of certain consolidated structured entities. In addition, the Group entered into a number of contracts for difference (CFDs), credit default indices (CDXs), futures and total return swaps (TRSs) to hedge the market movements of specific available-for-sale and fair value through profit or loss financial assets. The Group applies fair value hedge accounting in certain circumstances. Current loans and receivables and trade and other payables carried at amortised cost, included in the table above, represent balances mainly settling in a short timeframe, 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

As at 31 December 2014, the Company held financial assets at fair value through profit or loss with a carrying and fair value of £34.6m (2013: £18.7m). These investments are classified as Level 1 and Level 2 using the hierarchy set out on the following page.

During 2014, there were no transfers in to or out of Level 1, Level 2 and Level 3 (2013: £nil).

## Group

### Fair value hierarchy

The following asset types are carried at fair value after initial recognition.

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. These are predominantly investments in property and private equity funds and valuations are derived by the relevant fund manager teams based on a variety of valuation techniques.

### At 31 December 2014

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	107.6	98.7	8.9	–
Available-for-sale financial assets	75.8	28.0	–	47.8
<b>Total financial assets measured at fair value</b>	<b>183.4</b>	<b>126.7</b>	<b>8.9</b>	<b>47.8</b>

### At 31 December 2013

	Total (restated) £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	19.6	15.0	4.6	–
Available-for-sale financial assets	100.3	38.9	–	61.4
<b>Total financial assets measured at fair value</b>	<b>119.9</b>	<b>53.9</b>	<b>4.6</b>	<b>61.4</b>

At 31 December 2014, the Group held £69.9m (2013: £40.9m) of Level 3 financial liabilities at fair value through profit or loss. These represent non-controlling interests in consolidated structured entities, contingent deferred consideration and provisions. With respect to non-controlling interests in structured entities the fair value movements are primarily driven by fair value changes in investments held in these funds. Details of the inputs used to calculate the fair value of contingent deferred consideration and provisions can be found in notes 32.1 and 22 respectively. Sensitivity analysis around likely possible changes to the inputs into the valuations of these liabilities has been performed and resulted in no significant difference to the fair values recognised that, if adjusted for, would impact the profit attributable to the owners of the parent.

During 2014, there were no transfers in or out of Level 1, Level 2 and Level 3 (2013: £nil).

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

	2014 £m	2013 (restated) £m
<b>Fair value at 1 January</b>	<b>61.4</b>	62.5
Additions	1.9	0.7
Disposals	(22.8)	(2.2)
Transferred from Consolidated Statement of Comprehensive Income to Consolidated Income Statement	(0.6)	–
Fair value movements recognised in the Consolidated Statement of Comprehensive Income	7.9	0.4
<b>Fair value at 31 December</b>	<b>47.8</b>	61.4

Level 3 investments comprise private equity and property investments. Private equity investments are valued using a combination of the enterprise value/EBITDA multiple method and the discounted cash flow method. Significant unobservable inputs include long-term revenue growth rates and pre-tax operating margin, taking into account management's experience and knowledge of market conditions of the specific industries. Property investments apply the income capitalisation valuation technique by independent third party valuers. Significant unobservable inputs include capitalisation rate and monthly market rent, taking into account factors such as the capitalisation of rental income potential, nature of the property, prevailing market condition and differences in location. As the fair value measurement of the financial assets included in Level 3 is based on unobservable 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.

The fair value of the Level 3 financial assets are based on 30 September 2014 valuations. The events between valuation date and reporting date have been considered with respect to the 30 September 2014 valuations and no adjustments were considered necessary.

## Notes to the Financial Statements continued

### Group and Company continued

#### 18. Trade and other receivables

	Group		Company	
	2014 £m	2013 (restated) £m	2014 £m	2013 £m
Accrued income	147.1	118.3	–	–
Other debtors	23.4	17.5	0.3	–
OEIC and unit trust debtors	87.1	98.0	–	–
Trade debtors	10.0	10.8	–	–
Prepayments	7.6	6.8	–	–
Deferred acquisition costs	2.0	2.4	–	–
Amounts owed by subsidiaries	–	–	2.3	–
	277.2	253.8	2.6	–
Non-current	1.3	37.0	–	–
Current	275.9	216.8	2.6	–
	277.2	253.8	2.6	–

#### 19. Cash and cash equivalents

##### 19.1 Cash at bank and in hand and cash equivalents

	Group		Company	
	2014 £m	2013 (restated) £m	2014 £m	2013 £m
Cash at bank and in hand	197.6	187.0	7.3	8.8
Cash equivalents	36.9	30.0	–	–
<b>Cash at bank and in hand and cash equivalents</b>	<b>234.5</b>	<b>217.0</b>	<b>7.3</b>	<b>8.8</b>

Cash and cash equivalents consist of cash at bank, cash in hand 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 2014 are £2.1m (2013: £25.4m) of cash at bank and in hand that was held in the Group's manager dealing accounts which represent payments due to and from OEICs and units trusts as a result of client trading, £0.2m (2013: £nil) rental guarantee deposits and £4.5m (2013: £0.6m) of cash held by consolidated structured entities. After deducting these restricted cash balances, total unrestricted cash is £227.7m (2013: £191.0m).

## 19.2 Net cash flows generated from operating activities

	Notes	2014 £m	2013 £m
<b>Net cash flows generated from operating activities</b>			
Profit before tax from total operations		<b>283.4</b>	127.4
Adjustments to reconcile profit before tax to net cash flows generated from operating activities:			
– debt instruments interest expense		<b>11.6</b>	11.1
– share-based payment charges		<b>28.8</b>	29.6
– intangible amortisation		<b>57.6</b>	52.4
– share of loss/(income) from associates and joint ventures		<b>0.3</b>	(3.4)
– property and equipment depreciation	16	<b>2.6</b>	3.0
– gain on disposal of seed capital investments		<b>(3.7)</b>	(1.8)
– loss on disposal of property and equipment		<b>0.8</b>	0.6
– contributions to Group pension schemes in excess of costs recognised		<b>(5.5)</b>	(6.7)
– return of pension surplus		<b>–</b>	6.8
– net movements on other provisions		<b>0.1</b>	(2.9)
– void property and deferred consideration finance charge	7	<b>1.5</b>	1.3
– seed capital investment impairment		<b>0.6</b>	–
– gain on disposal of associate	7	<b>(11.5)</b>	–
– profit on disposal of Property business before tax and deal and separation costs	9.1	<b>(148.9)</b>	–
<b>Net cash flows generated from operating activities before changes in operating assets and liabilities</b>		<b>217.7</b>	217.4
Changes in operating assets and liabilities	19.3	<b>(74.7)</b>	(32.2)
Net tax paid		<b>(20.0)</b>	(10.3)
<b>Net cash flows generated from operating activities</b>		<b>123.0</b>	174.9

Included within net cash flows generated from operating activities are cash outflows relating to non-recurring items of £11.3m (2013: £11.4m).

## 19.3 Changes in operating assets and liabilities

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Change in OEIC and unit trust debtors and creditors	<b>(9.7)</b>	(8.5)	<b>–</b>	–
Increase in other assets	<b>(31.5)</b>	(39.5)	<b>(18.5)</b>	(5.5)
(Decrease)/increase in provisions and other liabilities	<b>(33.5)</b>	15.8	<b>40.2</b>	12.6
<b>Changes in operating assets and liabilities</b>	<b>(74.7)</b>	(32.2)	<b>21.7</b>	7.1



## Notes to the Financial Statements continued

### Group and Company continued

#### 20. Debt instrument in issue

##### Group

	2014 Carrying value £m	2014 Fair value £m	2013 Carrying value £m	2013 Fair value £m
Senior, unrated fixed rate notes due 24 March 2016 (2016 Notes)	149.4	157.4	148.9	159.5

On 24 March 2011, the Group issued, at par, £150.0m of 2016 Notes which are listed on the LSE, unsecured, unrated, 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 has been obtained applying a Level 1 valuation technique.

#### 21. Retirement benefits

##### 21.1 Characteristics and risks associated with the retirement benefit plans

The main defined benefit pension plan sponsored by the Group is the defined benefit section of Henderson Group Pension Scheme (HGPS), which closed to new members on 15 November 1999. The sponsor and principal employer of the 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 HGPS is funded by contributions to a separately administered fund. The actuarial advisers to the HGPS are Towers Watson.

Benefits in the HGPS are based on service and final salary. The plan is approved by HMRC for tax purposes, and is operated separately from the Group and managed by an independent Trustee board. The Trustee is responsible for payment of the benefits and management of the HGPS assets.

The HGPS is subject to UK regulations, which require the Group and Trustee to agree a funding strategy and contribution schedule for the scheme.

The triennial valuation of the HGPS as at 31 December 2011, carried out by the Trustee's independent actuarial advisers, revealed a surplus of £10.0m on a technical provisions basis. To the extent that future valuations reveal a funding deficit, additional contributions may be required from the Group.

The Group also has a contractual obligation to provide certain members of the HGPS with additional defined benefits on an unfunded basis.

The valuation of the HGPS under IAS 19 Employee Benefits is based on full membership data as at 31 December 2011 and updated to the accounting date by an independent actuary in accordance with IAS 19. The HGPS assets are stated at their fair values as at 31 December 2014.

The Group expects to contribute approximately £7.6m to the HGPS in the year ending 31 December 2015 (defined benefit and money purchase sections). Benefits paid via the unfunded arrangements are paid directly by the Group and are expected to be £0.2m in 2015.

As with the vast majority of similar arrangements in the United Kingdom, the Group ultimately underwrites the risks relating to these defined benefit plans. These risks include investment risks and demographic risks, such as the risk of members living longer than expected.

## 21.2 Amounts recognised in the financial statements

Retirement benefit assets and obligations recognised in the Consolidated Statement of Financial Position

	2014 £m	2013 £m
<b>Retirement benefit assets recognised in the Consolidated Statement of Financial Position</b>		
Henderson Group Pension Scheme	128.1	104.4
<b>Retirement benefit obligations recognised in the Consolidated Statement of Financial Position</b>		
Henderson Group unapproved pension scheme	(8.5)	(7.9)
<b>Net retirement benefit asset recognised in the Consolidated Statement of Financial Position</b>	<b>119.6</b>	<b>96.5</b>

Pension service cost recognised in the Consolidated Income Statement

	2014 £m	2013 £m
<b>Charges/(credits) relating to defined benefit and unapproved schemes</b>		
GPS administration expense in excess of reserve	–	0.3
Administration costs	0.8	1.0
Current service cost	1.1	1.8
Net interest credit	(4.5)	(6.4)
	(2.6)	(3.3)
<b>Contributions to money purchase members' accounts</b>	<b>5.1</b>	<b>5.3</b>
<b>Net charge to the Consolidated Income Statement</b>	<b>2.5</b>	<b>2.0</b>

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

	2014 £m	2013 £m
Actuarial gains/(losses)	29.4	(36.9)
Tax at source	(11.8)	10.5
<b>Net gain/(loss) recognised in the Consolidated Statement of Comprehensive Income</b>	<b>17.6</b>	<b>(26.4)</b>

Reconciliation of present value of defined benefit obligations

	2014 £m	2013 £m
<b>At 1 January</b>	<b>414.9</b>	<b>499.7</b>
Current service cost	1.1	1.8
Interest cost	18.4	21.0
Actuarial (gains)/losses arising from:		
– experience	(3.8)	(3.3)
– demographic assumptions	–	8.5
– changes in financial assumptions	62.7	14.9
Benefit payments	(13.9)	(16.7)
Settlement on GPS wind-up	–	(111.0)
<b>At 31 December</b>	<b>479.4</b>	<b>414.9</b>

## Notes to the Financial Statements continued

### Group and Company continued

### 21.2 Amounts recognised in the financial statements continued

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

	2014 £m	2013 £m
<b>At 1 January</b>	<b>513.6</b>	639.1
Interest credit	<b>22.9</b>	27.4
Administration costs	<b>(0.8)</b>	(1.0)
GPS administration expense in excess of reserve	<b>–</b>	(0.3)
Actuarial gains/(losses) arising from scheme assets	<b>88.3</b>	(16.8)
Contributions	<b>2.8</b>	3.3
Benefit payments	<b>(13.8)</b>	(16.6)
Settlement on GPS wind-up	<b>–</b>	(111.0)
Refund on GPS wind-up (gross of tax at source)	<b>–</b>	(10.5)
<b>At 31 December</b>	<b>613.0</b>	513.6

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

	2014 £m	2013 £m
Present value of defined benefit obligations	<b>(479.4)</b>	(414.9)
Fair value of defined benefit scheme assets	<b>613.0</b>	513.6
Tax at source	<b>(14.0)</b>	(2.2)
<b>At 31 December</b>	<b>119.6</b>	96.5

#### Pension scheme assets

The major categories of assets in the HGPS are as follows:

	2014 £m	2013 £m
Growth portfolio		
– infrastructure	<b>5.5</b>	6.3
– diversified growth	<b>125.7</b>	126.8
Bond assets	<b>452.0</b>	353.4
Buy and maintain credit fund	<b>28.4</b>	25.1
Cash and cash equivalents	<b>1.4</b>	2.0
<b>At 31 December</b>	<b>613.0</b>	513.6

The assets of the HGPS are allocated to a growth portfolio and bond assets. The majority of the growth portfolio is invested in pooled diversified funds, with the objective of achieving a level of growth greater than the bond portfolio. A small proportion of the growth portfolio is invested in infrastructure investments. The bond portfolio is managed on a segregated basis, with the primary objective of meeting the cash flows as they mature.

The current strategic allocation is broadly 25% growth assets and 75% bond assets. For strategic purposes, the buy and maintain credit fund is split evenly between a growth portfolio and bond assets. The Trustee intends to increase the allocation to bond assets as the funding level of the HGPS (calculated on a 'self-sufficiency' basis) improves. With the exception of the infrastructure investments, all of the HGPS assets are quoted in active markets.

## 21.3 Actuarial assumptions

### Financial assumptions

For the purpose of the following disclosures, the retirement benefit arrangements have been combined on the grounds of materiality.

	2014 % per annum	2013 % per annum
Discount rate	3.6	4.5
Rate of increase in pensionable salaries	2.5	2.5
Inflation (RPI)	3.1	3.5
Inflation (CPI)	2.1	2.5
Post-retirement mortality (expectancy of life):	years	years
Male currently aged 60	28.3	28.2
Female currently aged 60	29.3	29.7
Male aged 60 in 15 years	29.7	29.6
Female aged 60 in 15 years	31.3	31.2

### Amount, timing and uncertainty of future cash flows

The approximate impact of changing these main assumptions on the defined benefit obligation at 31 December 2014 is as follows:

- reducing the discount rate by 0.1% per annum would increase the IAS 19 defined benefit obligation by £9m (2013: £8m);
- increasing RPI inflation by 0.1% per annum would increase the IAS 19 defined benefit obligation by £3m (2013: £3m); and
- increasing the life expectancy of members by one year would increase the IAS 19 defined benefit obligation by £14m (2013: £14m).

There would also be an impact on the current service cost, but given the small active population in these plans this is likely to be immaterial.

The above sensitivity analysis may not be representative of the actual change as in practice the changes in assumptions may not occur in isolation. The weighted average duration of the defined benefit obligations is approximately 20 years (2013: 19 years).

## 22. Provisions

### Group

	Void properties £m	Other £m	Total £m
<b>At 1 January 2014</b>	14.2	3.4	17.6
Additions	–	0.3	0.3
Finance charge	1.2	–	1.2
Utilised	(3.8)	(2.3)	(6.1)
Released	–	(0.2)	(0.2)
<b>At 31 December 2014</b>	<b>11.6</b>	<b>1.2</b>	<b>12.8</b>
Non-current	8.6	1.1	9.7
Current	3.0	0.1	3.1
<b>At 31 December 2014</b>	<b>11.6</b>	<b>1.2</b>	<b>12.8</b>

### 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 11 years) as a void property finance charge to the Consolidated Income Statement.

### 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.

## Notes to the Financial Statements continued

### Group and Company continued

#### 23. Deferred tax

##### Group

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

	Accelerated capital allowances £m	Retirement benefits £m	Intangible assets £m	Compensation plans £m	Other temporary differences £m	Total £m
<b>At 1 January 2013</b>	2.4	(21.2)	(45.5)	19.3	16.2	(28.8)
Acquisitions through business combinations	–	–	(0.1)	–	–	(0.1)
(Charge)/credit to the Consolidated Income Statement	(0.5)	2.8	16.3	(0.5)	(7.2)	10.9
Credit to the Consolidated Statement of Comprehensive Income	–	0.1	–	–	0.1	0.2
Credit to the Consolidated Statement of Changes in Equity	–	–	–	7.9	–	7.9
Impact of foreign exchange movement	(0.1)	–	–	–	(0.1)	(0.2)
<b>At 31 December 2013</b>	1.8	(18.3)	(29.3)	26.7	9.0	(10.1)
Reclassification	–	–	–	1.5	(1.5)	–
Acquisitions through business combinations	–	–	0.1	–	–	0.1
(Charge)/credit to the Consolidated Income Statement	(0.8)	(0.2)	10.6	7.3	(5.1)	11.8
Credit to the Consolidated Statement of Comprehensive Income	–	0.1	–	–	0.1	0.2
Charge to the Consolidated Statement of Changes in Equity	–	–	–	(4.8)	–	(4.8)
Impact of foreign exchange movement	–	–	–	–	(0.1)	(0.1)
<b>At 31 December 2014</b>	<b>1.0</b>	<b>(18.4)</b>	<b>(18.6)</b>	<b>30.7</b>	<b>2.4</b>	<b>(2.9)</b>

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 2013	39.3	(49.4)	(10.1)
<b>At 31 December 2014</b>	<b>36.0</b>	<b>(38.9)</b>	<b>(2.9)</b>

Included within other temporary differences is deferred tax on losses of £nil (2013: £5.8m).

At the reporting date, the Group has unused capital losses in respect of which no deferred tax has been recognised as utilisation of the capital losses is dependent on future taxable capital gains. The unrecognised deferred tax asset in respect of capital losses carried forward is £10.9m (2013: £12.0m), of which £0.5m (2013: £1.3m) will expire in four years if unused. The remaining capital losses have no expiry date.

At the reporting date, the Group has, in respect of losses and other temporary differences, a deferred tax asset which has not been recognised of £6.9m (2013: £9.6m). The asset has not been recognised as the timing of its realisation remains uncertain or its use is dependent on the existence of future taxable profits against which the tax losses and other temporary differences can be utilised. The tax losses and other temporary differences have no expiry date.

Deferred tax is not recognised in respect of taxable temporary differences associated with the Group's investments in overseas subsidiaries, branches, associates and joint ventures where the Group controls the timing of the reversal of the temporary differences and where the reversal of the temporary differences is not anticipated in the foreseeable future (2013: £nil).

## 24. Trade and other payables

	Group		Company	
	2014 £m	2013 (restated) £m	2014 £m	2013 £m
OEIC and unit trust creditors	87.2	107.8	–	–
Other creditors	42.6	46.3	3.0	1.7
Accruals	228.3	228.3	26.3	13.9
Deferred income	2.5	5.4	–	–
Amounts owed to subsidiaries	–	–	125.9	99.4
	360.6	387.8	155.2	115.0
Non-current	44.6	50.1	7.8	6.4
Current	316.0	337.7	147.4	108.6
	360.6	387.8	155.2	115.0

## 25. Share capital

Group and Company

### 25.1 Authorised share capital

	2014 £m	2013 £m
2,194,910,776 ordinary shares of 12.5 pence each	274.4	274.4

### 25.2 Allotted share capital

Allotted, called up and fully paid equity shares:

Shares in issue	no.	£m
<b>At 1 January 2013</b>	1,114,485,160	139.3
Issue of shares for share schemes	8,937,126	1.1
<b>At 31 December 2013</b>	1,123,422,286	140.4
Issue of shares for share schemes	15,744,909	2.0
<b>At 31 December 2014</b>	<b>1,139,167,195</b>	<b>142.4</b>

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

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

### Notes to the Financial Statements continued

#### Group and Company continued

#### 26. Reserves

##### Group and Company

##### Nature and purpose of reserves

The Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity provide details of movements in equity for the Group and Company respectively.

##### 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.

##### Own shares held

Total own shares held had a cost of £94.7m (2013: £69.4m) and a market value of £103.8m (2013: £108.6m) as at 31 December 2014 and constituted 4.3% (2013: 4.2%) of the Company's issued share capital as at that date.

	2014 no. of shares	2013 no. of shares
Henderson Employee Trust 2000	316,941	768,514
HHG plc Employee Trust 2004	60,000	215,000
Henderson Employee Trust 2009	28,656,728	29,651,640
Henderson Group plc Employee Trust 2009	15,603,766	14,000,712
ACS HR Solutions UK Limited	931,116	1,592,876
Henderson Employee Share Ownership Trust	2,933,747	1,267,944
	<b>48,502,298</b>	<b>47,496,686</b>

The above trusts are used by the Group to operate the share-based compensation schemes as set out in note 11.

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 HR Solutions Share Plan Services (Guernsey) Limited, a Xerox Company, administers all of the above trusts.

##### Translation reserve

The translation reserve comprises differences on exchange arising from the translation of opening statements of financial position of subsidiaries, whose functional currency is not GBP which are not part of a designated hedge relationship, and differences between the results of these subsidiaries translated at average rates for the reporting year 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 recycled out and the cumulative amount of the gain or loss is recognised in the Consolidated Income Statement.

##### Revaluation reserve

The revaluation reserve comprises the amount of any unrealised gain or loss recognised in the Consolidated Statement of Comprehensive Income in relation to available-for-sale financial assets which are not part of a designated hedge relationship.

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

##### Profit and loss reserve

The profit and loss reserve comprises:

- results recognised through the Consolidated and Company Income Statement;
- actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income, net of tax;
- dividends paid to equity shareholders; and
- transactions relating to share-based payments.



## 27. 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, trade and other payables and provisions. The main risks arising from financial instruments are price, interest rate, liquidity, foreign currency and credit. 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.

### 27.1 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 its direct investment in seed capital investments in Group funds (being available-for-sale financial assets, fair value through profit or loss financial assets and held for sale assets) and consolidated structured entities. Seed capital investments vary in duration, depending on the nature of the investment, with a typical range of less than one year for equity, fixed income and multi-asset products and between three and seven years for private equity and property products. The total market value of the Group's direct investment in seed capital investments at 31 December 2014, including those designated as held for sale, was £116.4m (2013: £77.2m).

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 2014, investments with a carrying value of £80.0m (2013: £38.0m) were hedged against price risk through the use of CFDs, CDXs, futures and TRSs.

#### Price risk sensitivity analysis on seed capital investments

	2014		2013	
	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
Market value movement +/- 10%	–	3.6	–	3.9

### 27.2 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 instruments.

The Group is exposed to interest rates on banking deposits held in the ordinary course of business. Seed capital investments are not currently exposed to interest rate risk. This exposure is monitored by management on a continuous basis.

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

Included in the the Group's total cash balance of £242.8m (2013: £232.3m), including held for sale, are cash balances that are held in floating rate deposits of £217.8m (2013: £217.9m). The Group's financial liabilities are not exposed to interest rate risk.

## Notes to the Financial Statements continued

### Group and Company continued

#### 27.3 Liquidity risk

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

Group liquidity is managed on a daily basis by the Group's Finance function, to ensure that the Group has sufficient cash or highly liquid assets available to meet its liabilities. 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, including those classified as held for sale, are as follows:

At 31 December 2014

	Within 1 year or repayable on demand £m	Within 2-5 years £m	After 5 years £m	Total £m	Carrying value in the Consolidated Statement of Financial Position £m
Debt instrument in issue (including interest)	10.9	155.4	–	166.3	152.4
Trade and other payables (excluding deferred income and accrued debt interest)	309.6	14.4	–	324.0	324.0
Trade and other payables (excluding deferred income and accrued debt interest) at fair value through profit or loss	29.0	32.8	1.9	63.7	57.1
Provisions	3.4	8.0	3.4	14.8	12.8
	<b>352.9</b>	<b>210.6</b>	<b>5.3</b>	<b>568.8</b>	<b>546.3</b>

At 31 December 2013

	Within 1 year or repayable on demand £m	Within 2-5 years £m	After 5 years £m	Total (restated) £m	Carrying value in the Consolidated Statement of Financial Position (restated) £m
Debt instrument in issue (including interest)	10.9	166.3	–	177.2	151.9
Trade and other payables (excluding deferred income and accrued debt interest)	335.0	25.4	–	360.4	360.4
Trade and other payables (excluding deferred income and accrued debt interest) at fair value through profit or loss	–	23.3	–	23.3	23.3
Provisions	7.3	7.8	6.7	21.8	17.6
	<b>353.2</b>	<b>222.8</b>	<b>6.7</b>	<b>582.7</b>	<b>553.2</b>

#### 27.4 Foreign currency risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in foreign 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 monitoring foreign currency positions. The Group uses forward 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. Foreign currency risk management is overseen by the Hedge Committee and hedge effectiveness is reported to the Board monthly.

A rolling programme of forward foreign currency contracts has been implemented to hedge the currency exposures arising from certain seed capital investments (being available-for-sale financial assets, fair value through profit or loss financial assets or held for sale assets) and consolidated structured entities with a year end notional value of USD80.2m, EUR10.9m and AUD30.0m (2013: USD84.7m, EUR8.9m and AUD5.0m) (refer to note 27.6).

## Foreign currency risk sensitivity analysis

Seed capital investments are either denominated in GBP or hedged back to GBP using forward foreign currency contracts based on the Group's hedging policy. However, there remain some seed capital investments 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, including those classified as held for sale, denominated in currencies material to the Group other than GBP:

## Foreign currency sensitivity analysis

	2014		2013	
	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
US dollar +/- 10%	<b>0.7</b>	<b>0.6</b>	1.6	2.4
Singaporean dollar +/- 10%	<b>2.1</b>	<b>1.0</b>	0.9	0.2
Australian dollar +/- 10%	<b>0.7</b>	<b>0.2</b>	0.3	0.1
Japanese yen +/- 10%	<b>0.1</b>	<b>0.1</b>	0.1	0.4
Euro +/- 10%	<b>3.3</b>	<b>3.8</b>	—	1.3

## 27.5 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 function monitors and reports any exceptions to the policy. The Group has not suffered any losses as a result of trade debtor or counterparty defaults during the year (2013: £nil).

The Risk 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 trade debtors, including those classified as held for sale. All other financial assets are not past due.

### At 31 December 2014

	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
Accrued income, OEIC and unit trust debtors and trade and other debtors	<b>258.8</b>	<b>2.4</b>	<b>1.4</b>	<b>4.9</b>	<b>0.1</b>	<b>267.6</b>

### At 31 December 2013

	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
Accrued income, OEIC and unit trust debtors and trade and other debtors	247.0	4.2	0.8	0.6	1.0	253.6

Included within financial assets is £45.1m (2013: £35.7m) due from a single fund where the Group has a priority call on assets.

## Notes to the Financial Statements continued

### Group and Company continued

#### 27.5 Credit risk continued

The table below contains an analysis of cash and cash equivalents, including balances classified as held for sale, as rated by Fitch Ratings. All other financial assets of the Group are generally not rated.

At 31 December 2014

	AAA £m	AA £m	A £m	BBB/ not rated £m	Total £m
Cash and cash equivalents	<b>36.9</b>	<b>125.6</b>	<b>80.1</b>	<b>0.2</b>	<b>242.8</b>

At 31 December 2013

	AAA £m	AA £m	A £m	BBB/ not rated £m	Total (restated) £m
Cash and cash equivalents	40.9	104.2	86.8	0.4	232.3

#### 27.6 Hedging activities

At 31 December 2014, the Group held a number of derivative instruments, including CFDs, CDXs, futures and TRSs to hedge the price risk arising from the Group's direct investment in seed capital. 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 £3.2m (2013: £0.3m loss) and has been offset in the Consolidated Income Statement by £2.0m (2013: £0.2m gain), being the net realised and unrealised gain on certain seed capital investments in designated hedging relationships during the year.

At 31 December 2014, the fair value of these derivatives was £0.8m asset (2013: £0.4m asset). At 31 December 2014, the Group held forward foreign currency contracts to hedge the foreign currency risk arising from certain seed capital investments denominated in US and Australian dollars and euros. Refer to note 27.4 for the year end notional value.

### 28. Leases

#### Group

##### 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 two, eight and 11 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:

	<b>2014 £m</b>	2013 £m
Within one year	<b>15.1</b>	15.0
In two to five years inclusive	<b>52.9</b>	55.2
After five years	<b>84.0</b>	96.6
<b>Total</b>	<b>152.0</b>	166.8

The total future minimum sublease payments expected to be received under non-cancellable subleases within one year at the reporting date, were £6.1m (2013: £5.3m).

## 29. Capital commitments

### Group and Company

The amounts of capital expenditure contracted for but not provided for in the financial statements at 31 December 2014 amounted to £nil (2013: £nil).

## 30. 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:

	2014 £m	2013 £m
<b>Transactions with related parties during the year</b>		
Capital contributions to indirect subsidiary companies	28.8	29.6
Dividends received	98.4	82.0
Funding from subsidiary companies	24.2	8.0
<b>Amounts owed by/(to) related parties at 31 December</b>		
Amounts owed by subsidiary companies	2.3	–
Amounts owed to subsidiary companies	(125.9)	(99.4)

### Group

Disclosures relating to investments accounted for using the equity method and Group pension schemes are covered under notes 15.2 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 and all Directors, representing key management personnel, is disclosed below:

	2014 £m	2013 £m
Short-term employee benefits	15.0	12.7
Post-employment benefits	0.4	0.4
Share-based payments	5.9	7.8
	21.3	20.9

Share-based payments attributable to key management personnel are calculated based on the value of awards that have vested in the year.

As at 31 December 2014, there were 11.3m unvested £nil cost options (2013: 11.0m) and 2.2m unvested £nil cost shares outstanding (2013: 4.4m) for this population. In addition, the value of unvested units held in funds at 31 December 2014 was £2.7m (2013: £1.3m).

### Notes to the Financial Statements continued

#### Group and Company continued

#### 31. Contingent liabilities

##### Group

The following contingent liabilities existed or may exist at 31 December 2014:

- In the normal course of business, the Group is exposed to certain legal or tax matters, which could involve litigation and arbitration, and may result in contingent liabilities;
- In the normal course of business, the Group enters into derivative contracts for Group hedging purposes. Such contracts can give rise to contingent liabilities;
- Under the Implementation Agreement dated 6 July 2010 relating to the transfer of management responsibilities to Aviva Investors for the Henderson International Property Fund, the Group gave certain tax related warranties for a period of six years from the date of the agreement. These warranties are subject to certain exclusions and limitations, including a financial cap;
- Under the Facilitation Agreement dated 8 December 2010 relating to the merger of the assets of the Henderson Liquid Assets Fund (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 (CC&L), the Group gave an indemnity against losses suffered by CC&L arising from prior acts, omissions, liabilities or obligations of New Star Institutional Managers Limited that do not relate to its business, with no expiry date;
- 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 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. The indemnity is subject to certain exclusions and limitations, including a financial cap, with no expiry date;
- Under the Joint Venture and Shareholder Agreement dated 17 May 2012 with Sesame Bankhall Group Limited (Sesame) relating to Optimum Investment Management Limited (OIML) which acts as authorised corporate director of an OEIC: (a) the Group gave to Sesame and OIML certain warranties relating to OIML; and (b) the Group gave to OIML certain indemnities in respect of losses that may be suffered by OIML and which arise from acts, omissions or circumstances occurring prior to completion of that agreement. Those warranties and indemnities are subject to certain exclusions and limitations and will expire on 17 May 2019;
- Under the Implementation Agreement dated 24 June 2013 relating to the contribution of the Henderson property business outside North America (the non-US Property Business) to a joint venture company (named TIAA Henderson Real Estate Limited) with TIAA-CREF Asset Management Inc., the Group gave: (a) certain warranties and tax covenants relating to itself and the non-US Property Business; and (b) certain indemnities against (i) certain losses that may be incurred by certain companies prior to completion of the transaction or that may arise as a result of completion, (ii) certain undertakings being breached and (iii) stamp duty being incurred in connection with the transfer of shares in certain companies to be transferred to the joint venture. These warranties, covenants and indemnities are subject to certain exclusions and limitations, including (other than in relation to certain of the indemnities referred to in (b)(i) above) a financial cap. The warranties relating to matters other than taxation will expire on the date being six months after delivery to the shareholders of TIAA Henderson Real Estate Limited of its audited consolidated financial statements for the year ended 31 December 2014. The tax warranties and tax covenant will expire on the seventh anniversary of completion of the transaction;
- Under the Asset Purchase Agreement dated 24 June 2013 relating to the sale and purchase of the Henderson property business in North America (the US Property Business) to Teachers Insurance and Annuity Association of America (TIAA), the Group gave: (a) certain representations and warranties relating to itself and the US Property Business; and (b) an indemnity against certain losses that may arise from (i) any inaccuracy in any representation or warranty given under the Asset Purchase Agreement, (ii) failure to perform any covenant or agreement under the Asset Purchase Agreement, (iii) any liabilities specifically excluded from the transaction, (iv) all taxes of the Group not relating to the US Property Business and any pre-completion taxes and (v) certain employee related liabilities other than any that may be assumed by TIAA under the Asset Purchase Agreement. These representations, warranties and indemnities are subject to certain exclusions and limitations, including a financial cap. The representations and warranties (other than those relating to authorisation, corporate status and taxes) will expire 18 months after completion of the transaction;

- Under the terms of the Gartmore Pension Scheme wind-up, the indemnity provided by the Group to the Trustee, covering all liabilities and expenses incurred by the Trustee, including actions against it, will continue for 12 years after the signing of the deed of termination on 10 February 2014; and
- Under the Share Sale Agreement dated 30 April 2014, and completed on 1 December 2014, relating to the acquisition of Henderson Global Investors (Holdings) Limited's 50% shareholding in Intrinsic Cirilium Investment Company Limited (ICICL) by its joint venture partner, Intrinsic Financial Services Limited, the Group provided certain warranties relating to its shareholding and the conduct of ICICL during the period during which it was a joint venture company and indemnified ICICL for (a) 39.7% of losses suffered post completion relating to its conduct during this period; and (b) all losses arising to it relating to the period before it became a joint venture company. The warranties (other than certain fundamental warranties) are subject to certain exclusions and limitations including a financial cap and will expire 18 months following completion.

As at the date of approval of the 2014 financial statements, the Group and Company neither foresee nor have they been notified of any material claims under outstanding warranties and indemnities from the above-mentioned agreements.

## 32. Movements in controlled entities

### Group

### 32.1 Acquisitions

On 30 June 2014, the Group announced the purchase of the entire issued share capital of Geneva Capital Management LLC (Geneva) which will add to the Group's US equities capability and US institutional client base and is the main factor in the recognition of goodwill. The deal completed on 1 October 2014 with the Group making an initial cash payment of USD124.3m (£76.7m). Two tranches of deferred consideration, payable over six years if revenue retention and growth targets are achieved, are also potentially payable. The gross amount of deferred consideration potentially payable will be between USDnil and USD79.5m (£nil and £51.0m).

	Note	2014 £m
Cash		<b>76.7</b>
Present value of contingent deferred consideration recognised in other creditors		<b>10.0</b>
<b>Total consideration</b>		<b>86.7</b>
Less:		
Trade and other receivables recognised on acquisition		<b>(3.2)</b>
Other net assets recognised on acquisition (including £0.6m of cash)		<b>(0.4)</b>
Investment management contracts recognised on consolidation	14	<b>(48.9)</b>
<b>Identifiable net assets recognised on acquisition</b>		<b>(52.5)</b>
<b>Goodwill recognised</b>	14	<b>34.2</b>

The contingent deferred consideration is calculated in two tranches and payable over six years on an annual basis if revenue retention and growth targets are achieved. Management has estimated the revenue of the business over the six year period applying probability weightings to various possible scenarios to arrive at the discounted liability which is recognised in the Consolidated Statement of Financial Position. Likely changes to these scenarios have been considered and do not result in a material difference to the carrying value of the deferred consideration.

The acquisition of Geneva is treated as an asset purchase for US tax purposes and under US tax rules tax deductible amortisation is available over a 15 year period on the value of the intangible assets which under tax rules totals £73.0m.

Geneva has contributed income and profit after tax of £4.1m and £3.0m respectively between the acquisition date and 31 December 2014. Had Geneva been acquired on 1 January 2014, the business would have contributed income and profit after tax of £17.5m and £11.7m respectively to the 2014 Consolidated Income Statement.



### Notes to the Financial Statements continued

#### Group and Company continued

#### 32.2 Disposals

On 1 April 2014, the Group contributed its non-US property business to a new joint venture with TIAA-CREF. In addition, the Group sold its North American property business to TIAA-CREF. As part of these transactions, the Group disposed of its controlling interests in the following entities:

- CLOF II (No 1 Nominee) Limited
- Henderson Administration Services Limited
- Henderson Asia-Pacific Indirect Property Fund Management Sarl
- Henderson Beteiligung Verwaltungs GmbH
- Henderson CLOF II (GP) Limited
- Henderson CLOF II (No 1 GP) Limited
- Henderson CLOF II (No 2 GP) Limited
- Henderson CLOF II (No 3 GP) Limited
- Henderson European Retail Property Fund Management Sarl
- Henderson Funds Management Jersey Limited
- Henderson Funds Management Vanquish (Jersey) Limited
- Henderson Funds Management Vanquish II (Jersey) Limited
- Henderson Global Investors (France) SAS
- Henderson Global Investors GP LLC
- Henderson Global Investors GP II LLC
- Henderson Global Investors GP IV LLC
- Henderson Global Investors Immobilien Austria GmbH
- Henderson Global Investors SGR Spa
- Henderson Indirect Property Fund (Europe) Management Sarl
- Henderson Joint Ventures Property Funds Management Sarl
- Henderson Matador LP General Partner Limited
- Henderson OMP (GP) Limited
- Henderson Property Holdings LLC
- Henderson Property Management Company (Luxembourg) No. 1 Sarl
- Henderson Property Management (Jersey) Limited
- Henderson Property Nominees Limited
- Henderson Property UK AIFM Limited
- Henderson Real Estate Asset Management Limited
- Henderson Real Estate Singapore Pte Ltd
- Henderson Shopping Centre Verwaltungs GmbH
- Henderson UK OM (LP1) (GP) Limited
- Henderson UK OM (LP1) Limited
- Henderson UK OM (LP2) (GP) Limited
- Henderson UK OM (LP2) Limited
- Henderson UK OM (LP3) (GP) Limited
- Henderson UK OM (LP3) Limited.

### 33. Restatement

#### IFRS 10 restatement

As disclosed in note 2, the Group adopted IFRS 10 on 1 January 2014, which has led to the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity to be restated to reflect the consolidation of certain structured entities previously not consolidated. The impact on the year ended 31 December 2013 is set out below.

#### Consolidated Statement of Financial Position

	As at 31 December 2013 Reported £m	Adjustments £m	Other £m	As at 31 December 2013 Restated £m
<b>Impact on line items</b>				
Available-for-sale financial assets	39.0	23.1	–	62.1
Financial assets at fair value through profit or loss	19.2	–	0.4	19.6
Current trade and other receivables	217.1	0.1	(0.4)	216.8
Cash and cash equivalents	216.4	0.6	–	217.0
Non-current trade and other payables	(26.8)	(23.3)	–	(50.1)
<b>Impact on net assets</b>				
Net assets	835.8	0.5	–	836.3

The same IFRS 10 adjustments were applied for the year ended 31 December 2012.

#### Consolidated Statement of Changes in Equity

	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
<b>As at 1 January</b>								
<b>2013 – reported</b>	139.3	693.8	(100.8)	5.3	7.4	35.6	0.6	781.2
Adjustments	–	–	–	0.4	2.5	(5.9)	3.5	0.5
<b>As at 1 January</b>								
<b>2013 – restated</b>	139.3	693.8	(100.8)	5.7	9.9	29.7	4.1	781.7

#### Employee compensation and benefits

The composition of employee compensation and benefits has been reviewed in the year and has resulted in certain items (including training and recruitment agency costs) being reclassified from employee compensation and benefits to other expenses, all within operating expenses. The prior year numbers have been restated to reflect this change resulting in employee compensation and benefits for the year ended 31 December 2013 decreasing by £2.8m, with the offsetting increase in other expenses, see notes 4 and 5. There is no impact on either the 2014 or 2013 profit.

### 34. Events after the reporting date

#### Group

The Board had not, as at 24 February 2015, being the date the financial statements were approved, received any information concerning significant conditions in existence at the reporting date, which has 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 17 February 2015, a fund managed by the Group received beneficial title to cash and shares in John Laing plc, a newly listed entity on the LSE. As a result of this transaction, net management fees owed to and recognised by the Group totalling c£42.0m as at 31 December 2014 are backed by cash and John Laing plc shares. The fund is restricted from trading in these shares until 30 September 2015 at which point the appropriate amount of shares will be distributed to the Group to satisfy all, or in part, fees still outstanding and owed to the Group.

# Directors' responsibilities statement

## In relation to the financial statements

The Directors are responsible for preparing the Annual Report and Accounts which includes the Directors' report, the Strategic report, the Directors' Remuneration Report and the financial statements. The Directors are required to prepare and approve the financial statements for the Group and Parent Company in accordance with Jersey law for each financial year which show a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period in accordance with generally accepted accounting principles. The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- state that the Group and Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company to ensure that the financial statements comply with Jersey law. They are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company for the year ended 31 December 2014;
- the Strategic 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 2014 and a description of the principal risks and uncertainties faced by the Group;
- the Annual Report and Accounts, taken as a whole, provides the information necessary for shareholders to assess the Company's performance, business model and strategy and is fair, balanced and understandable; and
- the accounting records have been properly maintained.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website, [www.henderson.com/IR](http://www.henderson.com/IR). Legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed in accordance with a resolution of the Directors:

**Andrew Formica**  
Chief Executive

24 February 2015

**Roger Thompson**  
Chief Financial Officer

24 February 2015

# Glossary

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## 2016 Notes

Senior, unrated fixed rate notes due 24 March 2016

## AGM

Annual General Meeting

## AIFMD

EU Alternative Investment Fund Managers Directive

## 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

## BRC

Board Risk Committee

## CDIs

CHESS Depositary Interests

## CDP

Formerly known as Carbon Disclosure Project

## CDS

Credit Default Swap

## CDXs

Credit Default Indices

## CFDs

Contracts For Difference

## CFO

Chief Financial Officer

## CIO

Chief Investment Officer

## 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 from continuing operations divided by net income from continuing operations

## CPI

Consumer Price Index

## CRO

Chief Risk Officer

## CSOP

Company Share Option Plan

## DEP

Deferred Equity Plan

## Directors

The directors of Henderson Group plc

## EAFE

Europe, Australasia and Far East

## EBITDA

Earnings before interest, tax, depreciation and amortisation

## EMEA

Europe, Middle East and Africa

## EMIR

European Market Infrastructure Regulation

## EPS

Earnings per share

## ESG

Environmental, Social and Governance

## ESOP

Employee Share Ownership Plan

## ExCo

Executive Committee

## Executive Directors

Being the Chief Executive and Chief Financial Officer

## ExSOP

Executive Shared Ownership Plan

## FCA

The UK Financial Conduct Authority

## FRC

Financial Reporting Council

## FSCS

Financial Services Compensation Scheme

## Fund II

Henderson PFI Secondary Fund II L.P.

## FX

Foreign Exchange

## GAAP

Generally accepted accounting principles

## Gartmore

Gartmore Group Limited and its controlled entities

## Gartmore acquisition

The acquisition of the entire share capital of Gartmore Group Limited

## Geneva

Geneva Capital Management LLC

## GHG emissions

Greenhouse Gas emissions

## 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

## ICAAP

Internal Capital Adequacy Assessment Process

## ICICL

Intrinsic Cirilium Investment Company Limited

## Glossary continued

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### IFRS IC

International Financial Reporting Standards Interpretations Committee

### IFRS

International Financial Reporting Standards as adopted by the European Union

### IPO

Initial Public Offering

### IRR

Internal Rate of Return

### IRS

International Revenue Service

### ISG

Investment Strategy Group

### KPI

Key performance indicator

### LLC

Limited Liability Company

### LLP

Limited Liability Partnership

### LSE

London Stock Exchange

### LTIP

Long-Term Incentive Plan

### management fee margin

Management fees divided by average assets under management

### net margin

Underlying profit from continuing operations divided by average assets under management

### New Star

New Star Asset Management Group PLC and its controlled entities

### OEIC

Open-Ended Investment Company

### OIML

Optimum Investment Management Limited

### operating margin

Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations

### OTC

Over The Counter

### PwC

PricewaterhouseCoopers LLP

### RPI

Retail Price Index

### RSP

Restricted Share Plan

### SAYE

Sharesave Scheme

### SICAV

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

### TCF

Treating Customers Fairly

### TH Real Estate

The joint venture vehicle named TIAA Henderson Real Estate Limited into which the Group contributed its European and Asian property business

### TIAA-CREF transactions

The agreement to sell the North American property business and to contribute the European and Asian property business into a newly formed joint venture TIAA Henderson Real Estate Limited

### total fee margin

Net fee income from continuing operations divided by average assets under management

### TRSs

Total return swaps

### TSR

Total Shareholder Return

### UCITS

Undertaking for Collective Investment in Transferable Securities

### UK/United Kingdom

The United Kingdom of Great Britain and Northern Ireland

### UK Companies Act

Companies Act 2006

### UNPRI

United Nations Principles for Responsible Investment