2015 Annual Report

3 March 2016

Henderson Group's Annual Report for the year ended 31 December 2015 is now available on the Henderson Group website (www.henderson.com/ir/annual-report-ir).

A copy of the 2015 Annual Report is also included below.

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Further information
www.henderson.com/IR or

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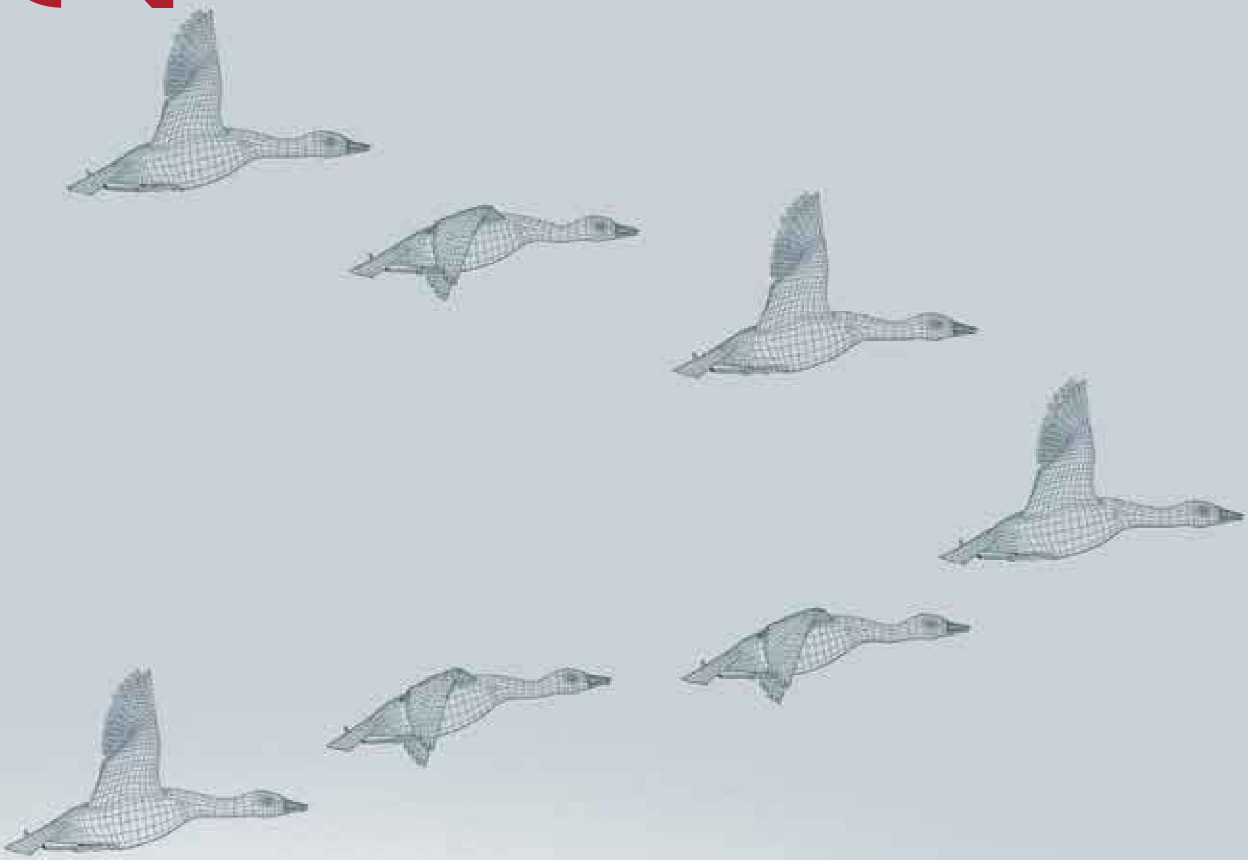
Henderson
GROUP PLC

ANNUAL REPORT 2015



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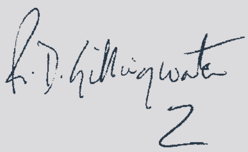
Other information

This report and additional information about the Group can be found online at henderson.com/IR.

Pages 1 to 47 of this report constitute the Strategic report which has been signed on behalf of the Board.



Richard Gillingwater
Chairman

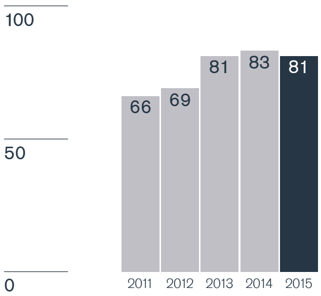
Andrew Formica
Chief Executive

Performance highlights

2015 has been another strong year for Henderson. We have executed well on our strategy to grow and globalise our business.

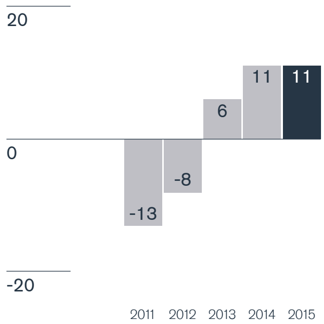
Investment outperformance

81%
of funds over three years



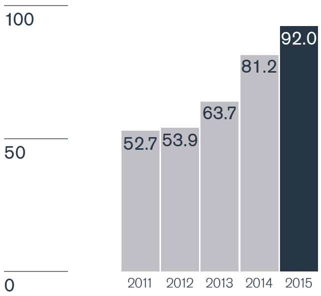
Net new money growth[1]

11%



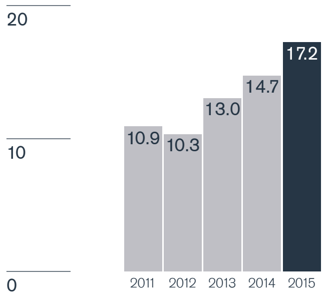
Assets under management[2]

£92.0bn



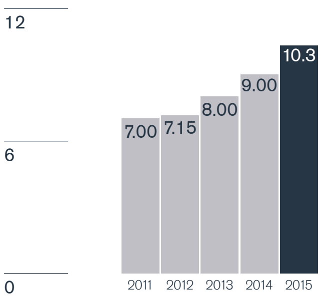
Diluted earnings per share[3]

17.2p



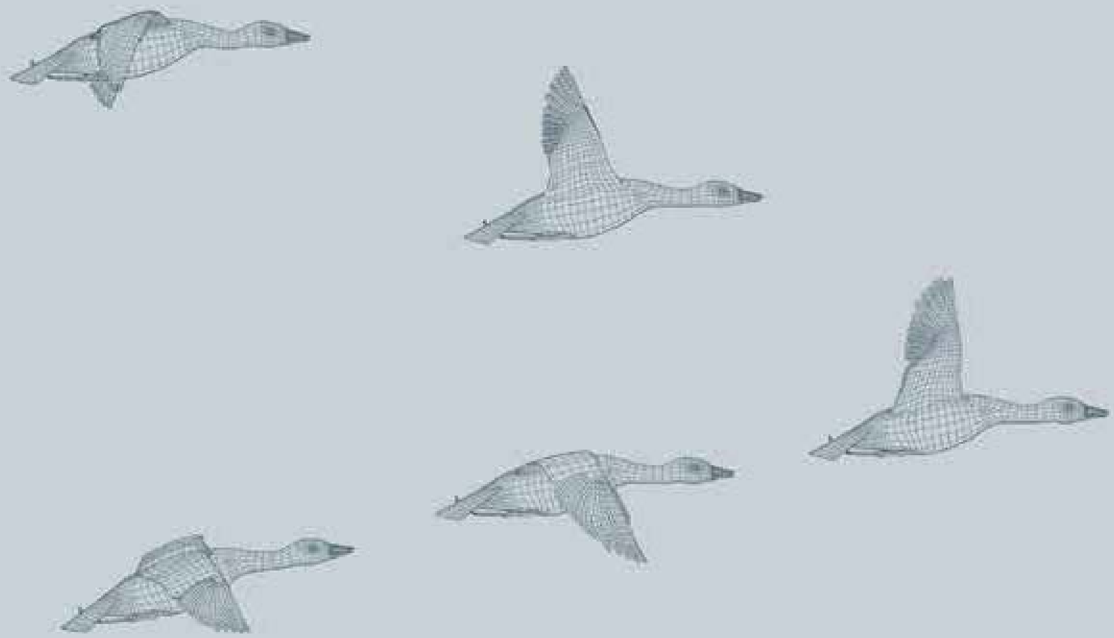
Dividend per share

10.3p



Notes:

1. As a percentage of opening AUM from continuing operations (excludes TH Real Estate).
2. Assets under management from continuing operations.
3. Calculation based on continuing underlying profit after tax attributable to equity holders of the parent.



STRENGTH IN OUR STRATEGY

2015 was all about delivery.

At the start of 2014, Henderson set out a clear five year strategy focused on the growth and globalisation of our business, for the benefit of our clients and shareholders. 2015 was all about delivery.

In this year's Annual Report, we highlight the characteristics we need to exhibit to deliver our strategy:

- Focus and energy, to drive the execution of our ambitious plan
- Awareness and agility, to keep moving forward and adapt when necessary to changes in market conditions and regulatory environments
- Discipline and responsibility, to fulfil our governance obligations
- Expertise and awareness, to be successful in active investment management
- Local knowledge and teamwork, to deliver for our clients, worldwide.

Growth and globalisation

Henderson is an independent asset manager, specialising in active management. We serve an increasingly global client base, offering our clients access to all major markets around the world.

North America

- Four offices
- 29 investment professionals
- 44 distribution experts
- Established Retail distribution network
- Institutional presence strengthened with 2014 acquisition of Henderson Geneva Capital Management

UK

- Two offices
- 187 investment professionals
- 156 distribution experts
- Strong Retail and Institutional client base

Europe, Middle East and Africa

- Seven offices
- 32 distribution experts
- Strong Retail presence
- Opportunities to selectively expand our Institutional presence

Asia

- Four offices
- 22 investment professionals
- 27 distribution experts
- Business continued to evolve in 2015

Australia

- Two offices
- 19 investment professionals
- 16 distribution experts
- Growth accelerated with three acquisitions in 2015

Our mission

To be a trusted global asset manager, focused on delivering excellent performance and service to our clients.

Our philosophy

Active fund management, with our clients' needs at the heart of everything we do.

Our guiding principles

The success of our strategy begins with the way in which our people operate.

Collaboration

We work together and share knowledge so that our clients benefit from the combined force of the whole company.

Conviction

We demand passion, belief and energy from our people. We have no house style to constrain the expertise of our investment professionals.

Responsibility

We know that performance, service and trust all flow from taking personal and collective responsibility, always in the service of our clients' needs.

2015 – strong progress against plan

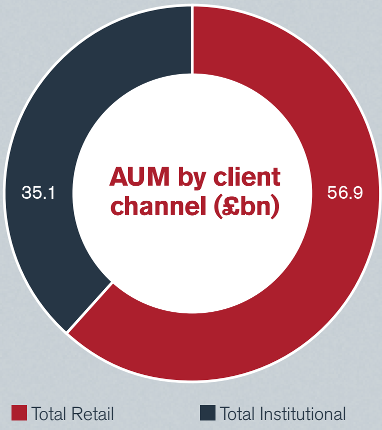
- Assets under management (AUM) of £92.0bn, up 13%
- 11% net new money growth[1], reflecting strong net client inflows of £8.5bn
- Strong investment performance with 81% of funds outperforming over three years[2]
- Sale of 40% stake in TH Real Estate; acquisitions of Perennial Fixed Interest, Perennial Growth Management and 90 West in Australia
- Diluted underlying earnings per share of 17.2 pence, up 17%
- Completed £25m share buyback programme
- Share price up 56% in Australia, 45% in the UK.

Assets under management

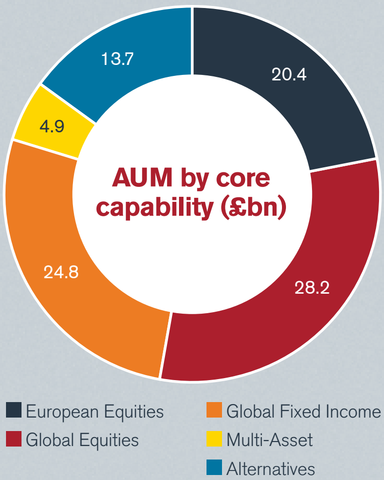
£92.0bn

(2014: £81.2bn)

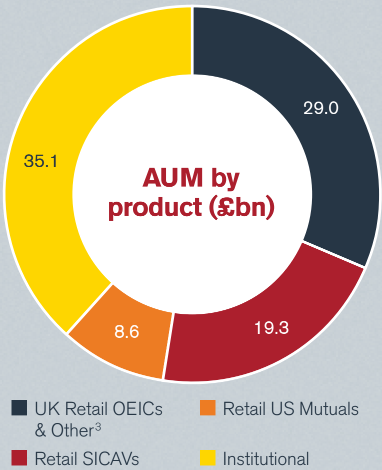
Our clients are financial professionals, private and institutional investors



We have five core investment capabilities: European Equities, Global Equities, Global Fixed Income, Multi-Asset and Alternatives



We have four key product ranges: UK Retail, Retail SICAVs, Retail US Mutuals and Institutional



Notes:

All data as at 31 December 2015, unless stated otherwise.

1. Net flows as a percentage of opening AUM from continuing operations, excluding AUM and net flows associated with the 40% share of TH Real Estate.
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.
3. Other includes Retail Unit Trusts, Investment Trusts, Australian Managed Investment Schemes and Singapore Mutuals.

Chairman's statement

In my 2014 review, I focused on the abiding importance of putting our clients' interests at the heart of everything we do. How well embedded is this customer-centric view point?

It is of fundamental importance that everyone at Henderson respects the fact that we are trusted with our clients' money, on which their future wellbeing may depend.

In this year's report, we explore characteristics of our business which equip us to sustain excellent performance and service for our clients and give strength to our strategy. Focus and energy are essential to drive the execution of an ambitious plan. But so, for example, are awareness and agility, to respond where necessary to changes in client preferences and market conditions. Behind all this remains a constant emphasis on strong investment performance, for the benefit of our clients.

How do you measure success?

Again this year, Henderson delivered well on our promises to our clients and shareholders:

- Consistently strong investment performance, with 81% of funds outperforming over three years
- Net client inflows of £8.5bn
- AUM increased to £92.0bn
- Increased underlying profit and EPS
- Increased dividends totalling 10.3 pence per share, and a £25m share buyback.

What makes you believe that this success is sustainable?

Underpinning our excellent near-term performance is a well understood and consistent strategy, focused on the twin goals of growth and globalisation.

It is a strategy designed to respond both to opportunity and risk.

Over the last few years, we have strengthened our position in our established markets and harnessed demand for our European funds. Once we had become more confident in our domestic markets in the UK and Europe, we were ready to make more of our international operations – in the US and Australia. In so doing, we are diversifying our client base and building more balance into our business, in pursuit of the objective of becoming a genuinely global asset manager.

Behind the scenes, we have invested to diversify our investment management skill set, to be able to harness future cyclical shifts such as the resurgence of emerging markets and the growing demand for globally-focused equity and fixed income products. There is still more work to do, but we are making good progress. Our Chief Executive, Andrew Formica, talks more about this in his review.

What role has the Board played in the development and execution of strategy?

Beyond our regular direction-setting and monitoring of client interests, the Board agenda this year has included deep dives into key elements of our strategy, to validate our approach to geographic expansion and to test our thinking around major lines of business.

As we looked at the Pan-Asian region, we took the pragmatic decision to play to our strengths and focus on Australia, where our heritage and brand presence create a uniquely secure foundation for our fledgling business. The Board chose to redeploy part of the capital released through our exit from our direct involvement in Property into the acquisitions of 90 West, Perennial Fixed Interest and Perennial Growth Management, to accelerate our business plan for Australia. As we shape our broader strategic view on Henderson's role in Pan-Asian markets, we are delighted to welcome Kalpana Desai, who joined the Board in October and brings extensive knowledge of Pan-Asian markets.

In reviewing progress in our Institutional business, the Board endorsed the executive team's approach of growth at a reasonable price. Many members of the Board bring to the table an instinctively institutional mind set, based on a deep understanding of what it takes to develop an Institutional business. Demanding institutional standards will increasingly apply right across our industry and there are scale benefits available to businesses able to serve both Retail and Institutional clients.

The Board also had a comprehensive look at all our recent investments in new investment management teams. I am pleased to write that almost all of these new teams are performing well.

The Board took time this year to look further ahead, at the major trends which could shape our industry over the coming decade. Personally, I worry about the enormous disruption to our prosperity, security and growth prospects which I believe would follow a British exit from the European Union, not to mention the uncertainty created by years of treaty renegotiation and the impact on our own industry. As a Board, we considered technological disruption and the arrival of the robo-adviser, as well as climate change and cyber risks. In these deliberations, I was struck by the productive mix of skills and experience around the boardroom table at Henderson. We have all experienced technological disruption in other sectors in which we have been involved, notably Retail with the advent of internet shopping, and are aware of the power of partnership to drive overarching change. One of the key ways in which a board can add value is by considering a range of perspectives and time horizons, and encouraging others to recognise and challenge the consensus view.

All of our good work on strategy and business development could be reduced to nought without the soundest possible control environment. At Henderson, we are conscious of the need for our controls to keep pace with our growing business. We have made major investments this year in manpower and systems to keep us abreast of best practice and to meet our clients' and regulators' expectations. This will continue in 2016 as the fast pace of regulatory change is maintained. The Board – particularly through the work of its Audit and Board Risk sub-committees – plays an active role in continuously monitoring the strength and adequacy of our control environment. The Board also takes a keen interest in the Company's relationships with its global regulators, ensuring that we continue to engage in a constructive manner and take a proactive role, particularly on significant new regulations and where it is in the interests of clients to do so.

Many of the Board's decisions are essentially about the deployment of capital. At Henderson, we take an active approach to the management of cash and capital resources. We will look first for opportunities to invest organically in the growth of our business or to invest in inorganic growth. When capital generation outweighs these options, we will return surplus capital to shareholders. As a signal of our intent to do precisely this, we implemented a £25m share buyback across our two listings in the second half of 2015.

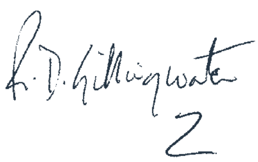
We continue to operate a progressive dividend policy and expect to grow our dividend broadly in line with underlying earnings growth over the medium term. The Board is recommending a final dividend for 2015 of 7.20 pence per share, bringing the total dividend for the year to 10.3 pence per share, a 14.4% increase over 2014 in sterling terms.

What is on the Board agenda for the coming year?

This has been another successful year for Henderson, and one in which we have continued to make significant progress in delivering our strategy.

We are acutely conscious of the challenges ahead. As I write, markets are volatile and client demand is focused on sources of income and risk-adjusted returns. Growth is harder to achieve in tough markets, and the role of the Board is to strike a healthy balance between the delivery of strategy, management of risk and consideration of new opportunities. Our commitment is to continue to achieve this balance, to the benefit of our clients and shareholders.

In concluding, I would like to thank my fellow Board members for their support and commitment, and to congratulate the team at Henderson on the delivery of another successful year. My thanks also to our clients and shareholders for their continuing support.



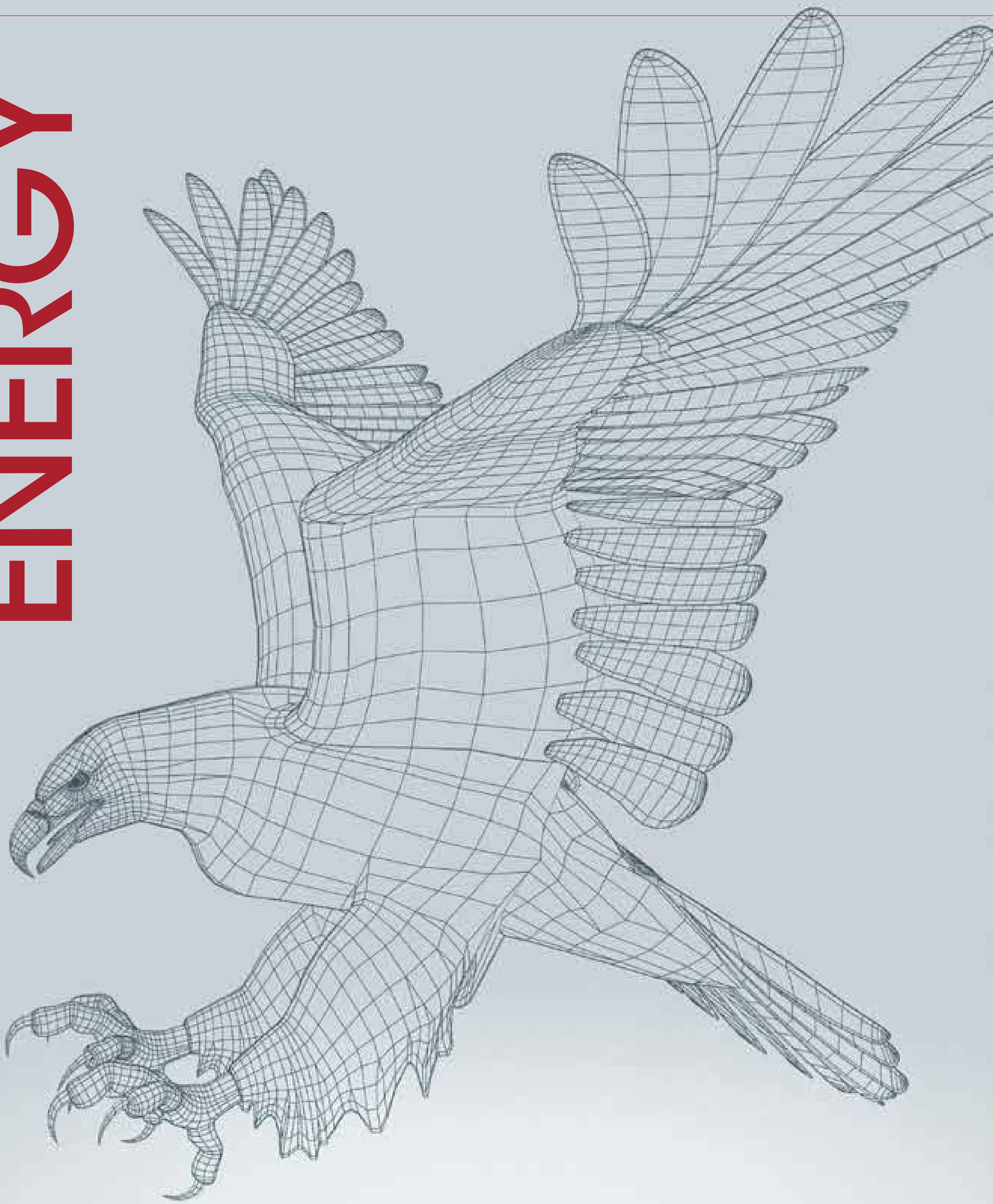
Richard Gillingwater

Chairman

Read more related to these topics

➔ Governance p.48

FOCUS AND ENERGY



Focus and energy, to drive the execution of our ambitious plan.

Chief Executive's review

In my review last year, I said 2015 would be all about delivery of Henderson's strategy. A year on, how have we done?

2015 has been another strong year for Henderson. We have executed well on our strategy to grow and globalise our business.

Consistently strong investment returns are at the heart of what every asset manager aspires to deliver to their clients. We continued to perform well across our five core capabilities, helping our clients capture benefits during strong markets and mitigate their losses when market conditions became more challenging.

We saw strong investment performance in areas of significant client demand – European assets, as client funds continued to flow into Europe; income-focused strategies, as interest rates remained chronically low; and also alternatives, where our low volatility absolute return strategies appealed to clients looking for returns coupled with reliable downside protection.

The investments we made to broaden the range of investment styles we offer our clients are starting to bear fruit, with many of our new investment teams starting to develop impressive track records.

In high yield credit, the US team has top-quartile performance over one year as it approaches its three year track record in April 2016. We recruited an Emerging Markets Equity team in January 2015 to complement the Emerging Markets Debt team who started in 2014. We have been introducing their ideas and investment process to clients this year, to position them for a return in demand when these styles come back into favour.

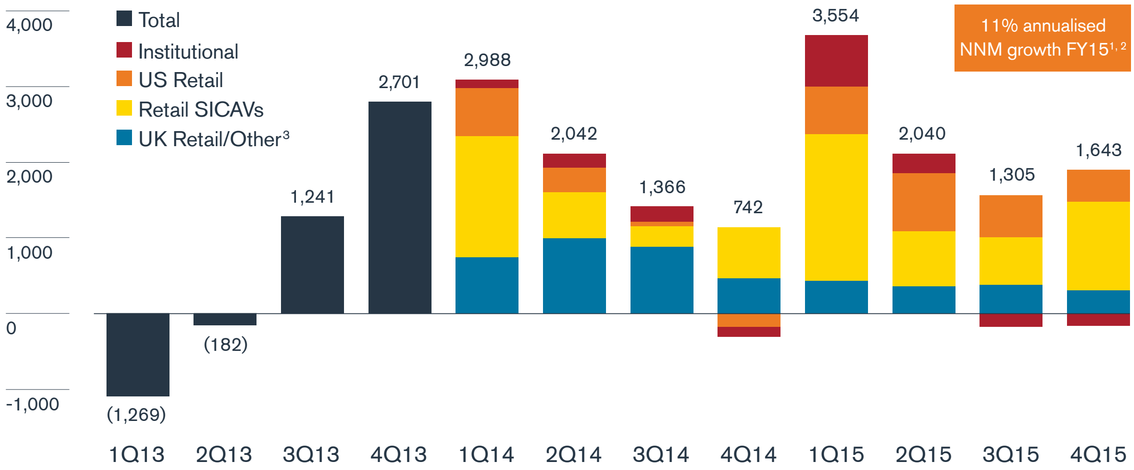
Investment performance by core capability

	1 year	3 years
European Equities	80%	92%
Global Equities	77%	81%
Global Fixed Income	63%	77%
Multi-Asset	83%	98%
Alternatives	98%	66%
Total	**78%**	**81%**

Note:

Percentage of funds, asset-weighted, that are outperforming based on the relevant metric: peer percentile ranking for Retail, positive for Absolute Return, positive versus benchmark for Institutional.

Net client flows (£m)



Notes:

1. Net new money (NNM) growth represents annualised net flows as a percentage of the opening AUM for the relevant period.
2. Excludes AUM subject to Property transactions with TIAA-CREF and resultant TH Real Estate joint venture AUM but includes Henderson UK Property OEIC.
3. Includes flows from UK OEICs, Unit Trusts, Investment Trusts, Australian Managed Investment Schemes and Singapore Mutuals.

> **"One of Henderson's strengths is that we give experienced managers freedom to manage money according to tried and tested investment styles."**
>
> **Andrew Formica**
> Chief Executive

During 2015, we have been delighted to see a strong recovery in performance at Henderson Geneva Capital Management, the US small- and mid-cap growth equity manager we acquired in October 2014. The mid-cap fund ended 2015 5.2% ahead of benchmarks since the acquisition, and the small-cap fund was 8.4% ahead. Did we change Geneva's investment process? Absolutely not. One of Henderson's strengths is that we give experienced managers freedom to manage money according to tried and tested investment styles, and support them with a risk management framework that adds value for managers and clients alike. This is an approach which enables us to recruit and retain talented managers.

Strong investment performance led to another year of record-breaking inflows of client money, totalling £8.5bn. This represents net new money growth of 11%[1, 2], well ahead of the industry growth rate of 2%.

In our Retail business, we gained share in our major markets and saw flows of £8.0bn. In our SICAVs range – which is sold not only in Continental Europe but also in Latin America and Asia – the diversity of our product range led to inflows of £4.3bn, with the top-selling funds being Henderson Gartmore Continental European and Henderson Gartmore UK Absolute Return.

In our UK ranges, industry flows were strongest into passive managers rather than the active sectors where Henderson participates but despite this, we saw continuing demand for Henderson UK Property and Henderson UK Absolute Return.

In the US, demand persisted for European, international and global equities, but there were also promising new developments to broaden our US business, including our first engagement to sub-advise a closed-end fund, which raised US$315m at launch.

Our Institutional business continues to mature, with many of the new global investment strategies we have under development expected to appeal to Institutional clients. The year saw good wins with fixed income clients, which were counter-balanced by our planned exit from the Private Equity business. We continue to be optimistic about our medium-term growth prospects in the Institutional channel.

2015 has seen steady expansion of our distribution reach and deepening of our client relationships, in particular with our largest global customers. In our relationships with our clients, we have focused on the content and timeliness of the materials we provide, to bring alive our core brand proposition – *Knowledge. Shared.*

A key focus of the investment in our business over the last few years has been to build a scalable operating platform to enable us to improve our profitability as we grow. This year saw us generate record underlying profits before tax from continuing operations of £220.0m, at a slightly improved operating margin of 35.7%. For the second consecutive year since we launched our growth and globalisation strategy in 2014, our underlying pre-tax profit from continuing operations has outgrown our revenues.

As we moved forward with our strategic plan, I reviewed our management structure to make sure that it was keeping pace with the changes in our business. In December 2015, after significant progress with the build out of our investment management teams, I took the decision after consultation with the Board that the role of Chief Investment Officer was redundant, which meant that Rob Gambi left the business as part of a broader streamlining of the Executive Committee (ExCo). I would like to thank Rob for his contribution to Henderson and wish him well for the future.

This year has also seen a significant improvement in our capital position. As at 31 December 2015, capital above our regulatory requirement was around £100m without recourse to our investment firm waiver from consolidated supervision, which expires in April 2016. We sold our 40% interest in TH Real Estate in June 2015 but retained exposure to the property market though our very successful Henderson UK Property fund, which is sub-advised by TH Real Estate. Part of the proceeds of this sale was recycled into a series of acquisitions in Australia – Perennial Fixed Interest, Perennial Growth Management and global natural resources equity manager, 90 West. Our Australian heritage and shareholder base give our fledgling business there disproportionate levels of brand recognition. These three acquisitions – with the investment management expertise and distribution reach they bring – are designed to build on the strong base we have established in Australia and accelerate the growth of our Australian business.

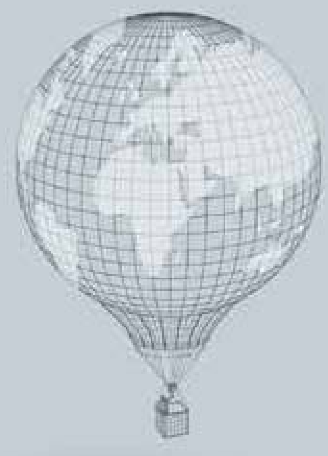
In priority order, our preferences for deploying capital are to: invest organically in the growth of our business; invest inorganically to accelerate growth where appropriate; and return surplus capital to shareholders. In 2015, we signalled our intention to distribute surplus capital with a £25m buyback in the second half of the year, in addition to increasing our ordinary dividend.

To my mind, our strategy has five key deliverables:

- Strong investment performance
- Above-industry growth in net new client money
- Carefully targeted investment in investment management, client relationships and our global operating platform
- Improved operating leverage
- Disciplined use of capital.

Supporting all of these is a sixth, less tangible, but overarching objective: delivering what we promise to our clients. This year, as a firm, we have worked hard to deliver to our clients, and have achieved excellent results. Having achieved net new money growth of 11% per annum since we launched our growth and globalisation strategy in 2014, we are on track to achieve our goal of doubling AUM by 2018.

Case study: Henderson in America



The progress we have made in the US in 2015 is a good example of growth and globalisation in action.

Henderson launched its US distribution network in 2001 and has steadily grown its US Retail business. Our experienced US distribution team has utilised a consultative approach to share Henderson's global investing expertise and perspectives with clients.

Henderson's differentiated product line-up and actively managed style has resonated well with investors across the continent, resulting in record inflows for 2015 of US$3.5bn, 38% growth in net new money. The Henderson Global Funds family is now one of the top 10 fastest-growing mutual fund families of its size in the US and over half the eligible fund range is rated 4 or 5 stars by Morningstar.

In the last three years, we have taken significant steps to accelerate growth and diversify our investment management capabilities to US clients. These actions started to deliver in 2015. Henderson Geneva Capital Management, which was acquired in 2014, performed exceptionally well in 2015 and the US Credit team has a top-quartile ranking in the High Yield Opportunities Fund since inception in April 2013.

A steady pipeline of product development since 2010 has yielded new funds such as Dividend & Income Builder, a 5-star rated core equity-income fund, and five more funds that are reaching their three year track records in 2016 and 2017. In addition, we continue to build strong Institutional relationships and nurture our intermediary network, where we were pleased to sub-advise the First Trust Dynamic Europe Equity Fund, opening a new channel for us in closed-end funds.

The US business has become a significant contributor to Henderson's global success as it continues to grow, strengthen and diversify its investment capabilities, product offerings, distribution channels, and mix of AUM.

> These priorities encourage us not only to execute well, but to be agile enough to respond to changes in market conditions."
>
> **Andrew Formica**
> Chief Executive

What's next?

To deliver our strategy to grow and globalise our business, we will continue to focus on four key priorities:

- Deliver first-class investment performance and service to our clients
- Expand our global investment offering to meet the current and future needs of our clients
- Diversify our business through product and geographic expansion
- Operate efficiently.

These priorities encourage us not only to execute well, but to be agile enough to respond to changes in market conditions, whether they present opportunities or threats.

In the course of 2015, we were careful to divide our time between achieving short-term milestones and considering how the future looks for our clients and our industry.

Trends preoccupying our clients include the shift of the retirement burden from the state and corporates to the individual, driven by structural pension reforms and the demographics of an ageing population. This is a trend we see developing at varying speeds across many of the jurisdictions in which we operate – from Australia to the US. Linked to this is the shift in investment demand from traditional products into passive, multi-asset and outcome-oriented products and mandates. A key strategic decision for Henderson is where we can add value in this changing environment – and where we cannot. Our focus remains on our core capabilities in active investment management, but with increasing focus on outcome-oriented strategies linked to income generation, absolute return and preservation of capital.

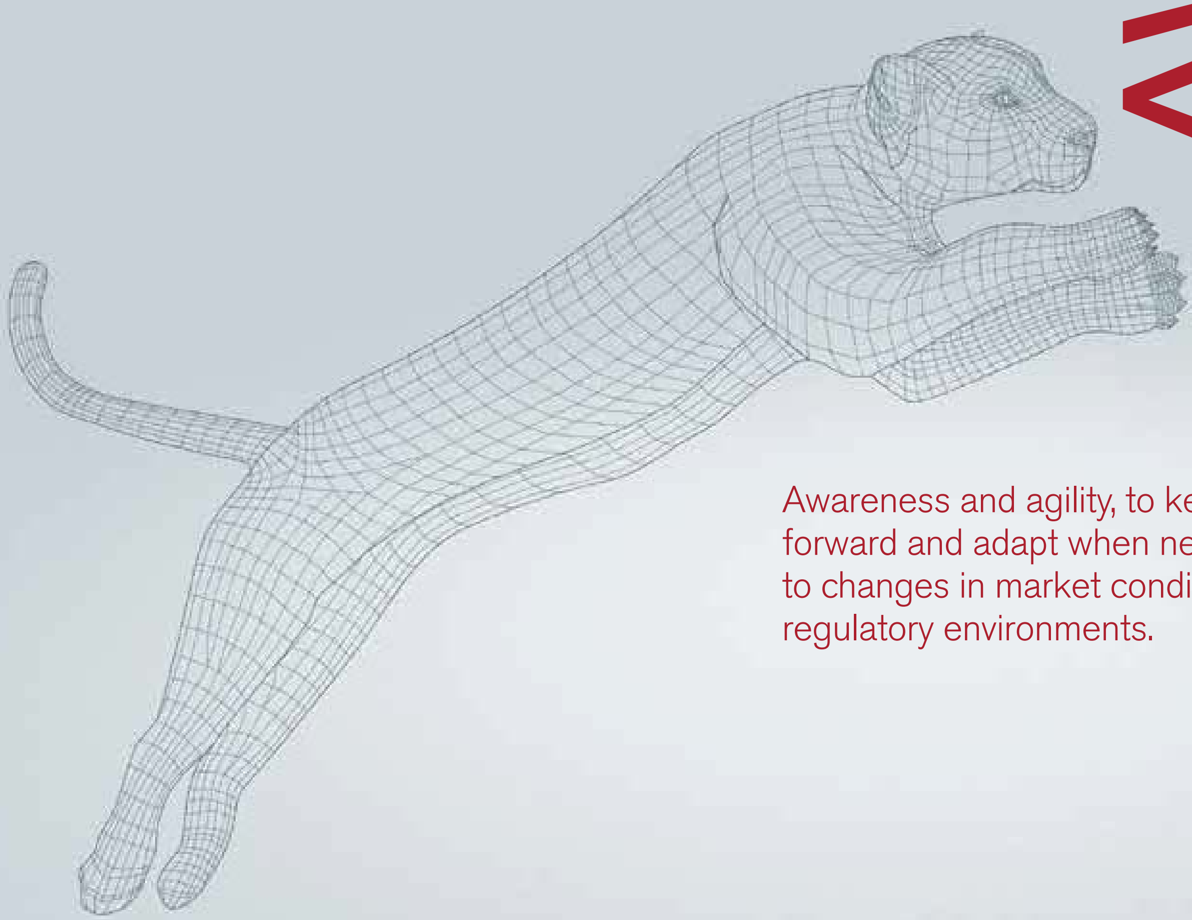
We have also taken time this year to consider mega-trends affecting our industry – everything from disruptive innovation and cyber security to climate change. We are far from pretending to have a neat set of answers for these powerful forces, but we are alert to the threats – as well as the opportunities – they present, and are looking in particular for opportunities to harness changes in technology in performance management, risk management and client engagement.

On paper, the strategies of many asset managers look similar. In practice, what differentiates us is the calibre of the people we have charged with executing these strategies. I would like to take this opportunity to pay tribute to my colleagues at Henderson who have worked hard this year to deliver on behalf of our clients. To the investment managers, long established and new who have delivered excellent investment performance. To the client-focused teams who never let us forget who we serve. To the infrastructure teams who have collaborated across the globe to deliver complex projects like the integration of our Australian acquisitions. To the assurance teams who ensure that we remain compliant, and keep abreast of the ever more complex demands of our regulators. To the 174 people who have been with Henderson for more than 10 years, and the Investment 2020 trainees who bring diversity and fresh ideas. Henderson prospers thanks to a dedicated workforce, whose work ethic is summed up in our chosen guiding principles of collaboration, conviction and responsibility.

We enter 2016 with continued strong momentum, knowing that we grew at a higher rate than our peer group in 2015. This positions us well for what could prove to be challenging conditions ahead – in terms of global markets, regulatory scrutiny and changing client needs. We are far from complacent, and are resolved to continue to deliver strongly in 2016, for the benefit of our clients and shareholders.

Andrew Formica
Chief Executive

AWARENESS AND AGILITY



Awareness and agility, to keep moving forward and adapt when necessary to changes in market conditions and regulatory environments.

A client-centric business model

Our business model focuses first and foremost on our clients.

We deploy our resources and relationships in the interests of our clients to generate sustained value for all our stakeholders – notably clients, shareholders and employees.

This client-centric approach governs what we will and will not do as a business. It enables us to fulfil our mission as a trusted global asset manager, which is to deliver excellent performance and service to our clients.

How we generate and preserve value over the long term

Our clients entrust money to Henderson – either their own or money they manage for their clients – and expect us to deliver the benefits specified in their mandate or funds prospectus. We measure these monies as assets under management – AUM – and growth in AUM is a key output of our strategy. Our AUM increases or decreases, primarily depending on our ability to attract and retain clients' money, our investment performance, and currency movements. To the extent that Henderson invests in new asset management businesses or divests from existing ones, this is reflected in AUM.

Our clients pay us a management fee, which is usually represented as a percentage of the client money we manage. In addition, Henderson may receive a performance fee from clients when our managers deliver strong investment performance. Management and performance fees are Henderson's most important sources of revenue. The more diverse the range of investment strategies from which our management and performance fees derive, the more sustainable our business model will be.

The resources which Henderson deploys to manage clients' money are heavily people-focused. It is critically important to our business that we succeed in attracting and retaining high quality people across all business functions, including investment management, client relationship management, operations, finance and assurance. We invest to grow our business in a careful and targeted manner. The balance between cost discipline, reward and investment is key to the long-term success of our business.

We generate value for our shareholders by delivering strong investment performance and sustained revenue growth. Our business model is scalable, which means that earnings growth should follow revenue growth. A high proportion of our earnings converts into cash, which we then distribute to shareholders, usually via ordinary dividends. As our capital position strengthens, we will have increased flexibility to redeploy excess capital, fund organic growth and globalisation, supplement organic growth with value accretive acquisitions, and increase returns to shareholders.

Our strengths

Asset management business models all look very similar at a high level. Here are the factors which differentiate Henderson:

- Focus on active – not passive – fund management by investment managers with unique individual perspectives, who operate unconstrained by a house view, within a strong risk management framework
- A strong, investment-led culture, based on the values of collaboration, conviction and responsibility, which enables us to adapt effectively to changes in market conditions and makes Henderson a sought-after place to work
- A deeply held sense of corporate responsibility, focused on responsible investment and client engagement, but also on our people, the communities in which we work and the environment
- Successful investment track records in both traditional and alternative investment styles, across a diverse product range
- Growing global footprint with retail and institutional clients
- An attractive, aspirational brand centred around the proposition of *Knowledge. Shared*, made relevant by our growing reputation for delivering relevant digital content to clients in a timely fashion.

Our mission

To be a trusted global asset manager, focused on delivering excellent performance and service to our clients

Our clients and their end customers

Our clients are financial professionals, private and institutional investors. The roles and needs of different market practitioners vary across the globe, and we adapt our client relationships and investment approach accordingly.

Our resources, relationships and responsibilities

Core investment management capabilities

- Active investment management by high calibre teams in European Equities, Global Equities, Global Fixed Income, Multi-Asset and Alternatives → p.30
- Value add from risk management → p.23

Client relationships and brand **→ p.38**

- Long-term focused relationship management and client service
- Forward looking product development and prioritisation
- Careful brand management

Our people **→ p.42**

Expertise in investment management, risk management, client relationship management, finance and operations

Corporate responsibility **→ p.44**

Corporate responsibility matters to us, not just from a trust and brand perspective, but because of the proven correlation between good governance and strong long-term performance. Our five corporate responsibility pillars focus on responsible investment, clients, the environment, community and our people

Outcomes

For clients

- Strong investment performance
- Excellent service
- Partnership-based relationships
- Trust

For shareholders

- Sustained income and profit growth
- Strong profit conversion
- Dividend growth and capital returns

For employees

- Attractive career prospects
- Competitive remuneration and benefits
- Benefits of working for a growing business
- Strong corporate culture

Growth and globalisation

Our strategy focuses on achieving growth and globalisation by delivering excellent performance and service to an increasingly diverse client base.

We aim to deliver a sustained period of organic growth, attracting net new money from clients at a higher rate than that of our industry peers. We will supplement this organic growth with value accretive acquisitions. By 2018, we will have established a truly global footprint, infrastructure and mind set.

Our success in delivering our strategy depends on strong execution of our business plans but also on being agile enough to assess changes in market conditions and respond where appropriate to opportunities and threats.

Strategic priority	How we performed in 2015

1. Deliver first-class investment performance and service to our clients
 	
Our strategy is focused on the needs of our clients, delivering consistent value to them through active investment management and serving them responsibly, wherever they are in the world.
	▪ Investment performance remained consistently strong, with 81% of funds outperforming on a three year basis.
	▪ Continued embedding the fair treatment of customers into the firm's business model, including:
	  ▪ Appointment of Customer Champions in the US and Asia
	  ▪ Global roll out of annual Customer Interests Staff Survey
	  ▪ Relaunch of mandatory Customer Interests training for a global audience.

2. Expand our global investment offering to meet the current and future needs of our clients We deploy our expertise across our core capabilities to find attractive and innovative opportunities for our clients, and provide products which consistently meet their current and future needs.	▪ The core capabilities we require to meet our 2018 objectives are in place, but we will continue to evaluate new opportunities to deliver value to our clients. ▪ Organic build of an Emerging Markets Equities team to add to the 2014 build out of Emerging Markets Debt. ▪ New offerings at or close to their three year track records in global equities, high yield credit, absolute return bond and multi-asset.
3. Diversify our business We have ambitious plans for growth and are expanding our investment management and distribution reach to deliver value to a broader client base.	▪ Good progress in the US, with 27% of Henderson's total net flows in 2015 into the US Mutuals range and a significant recovery in investment performance at Henderson Geneva Capital Management since the acquisition closed. ▪ Acquisitions of Perennial Fixed Interest, Perennial Growth Management and 90 West in Australia to expand investment management capabilities and client reach.
4. Operate efficiently Our operating model is designed to meet client needs, attract and retain excellent people and deliver profitable growth. As our business grows, we aim to build operating leverage and capital strength.	▪ Scalable operating platform in place to facilitate growth and globalisation. ▪ Significant investment in regulatory expertise to manage constant change. ▪ Disciplined management of financial resources to generate a regulatory capital surplus and facilitate return of capital to shareholders.

Read more about our strategy – our progress to date, risk management and priorities in 2016:

→ Key performance indicators p.16

→ Financial review p.18

→ Risk management p.23

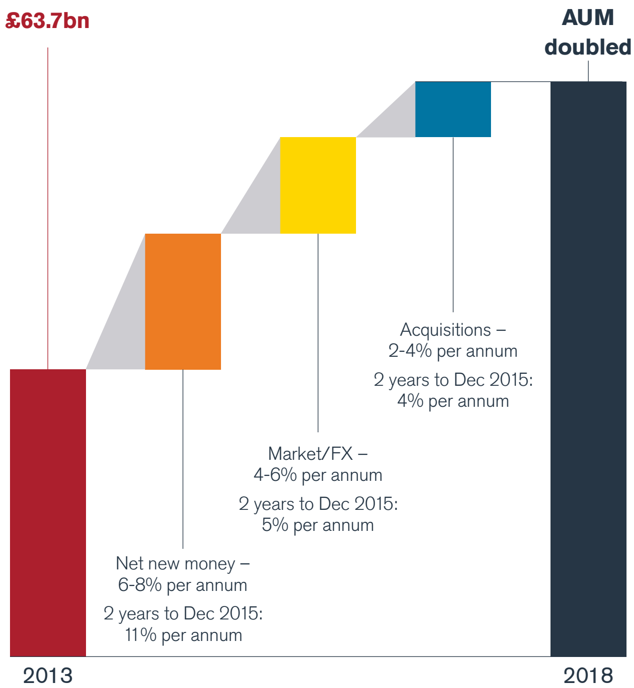
→ Chief Executive's review p.7

Key performance indicators	Principal risks
* Denotes a Short-Term Incentive remuneration KPI → See p.67 (1) Treating customers fairly (2) Investment performance*	▪ Investment performance ▪ Market ▪ Liquidity
(2) Investment performance* (3) Net fund flows*	▪ Fund flows ▪ Key personnel
(3) Net fund flows* (4) Fee margins	▪ Acquisitions and divestments ▪ Strategic
(3) Net fund flows* (4) Fee margins (5) Operating margin and compensation ratio* (6) Earnings per share	▪ Operational, IT and legal ▪ Regulatory change

The result

Assuming market growth in line with the long-term industry average, the output of our strategy will be to double our assets under management.

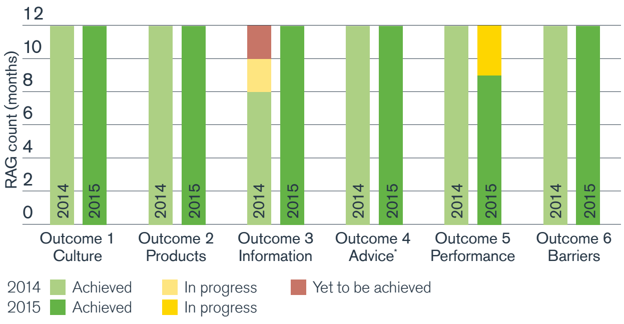
Doubling assets under management by 2018



Key performance indicators

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

1. Treating Customers Fairly (TCF)



Note:

* While 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 for which they were designed.

Link to strategy

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.

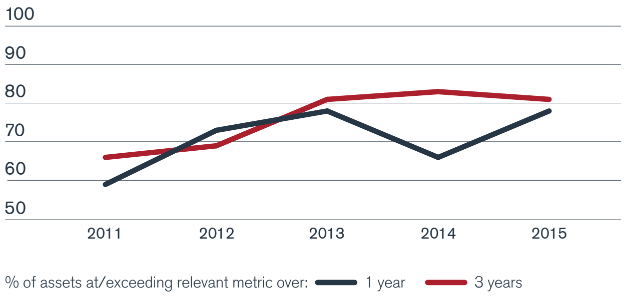
Performance

Improvements were achieved in the timely delivery of fund information to our clients (Outcome 3), while a number of specific areas for enhancement relating to customer service were identified and addressed over the year (Outcome 5).

Key customer-focused initiatives have included:

- Customer Champions appointed in the US and Asia, reporting customer issues to local management as well as the London-based Customer Interests and TCF Committee
- Continued engagement with the Henderson Customer Panel – providing a real time dialogue with 450+ of our UK direct Retail clients – to help better understand their needs and inform the launch of products and services
- Customer Interests Staff Survey[1] on performance in achieving client goals, expanded to all staff globally in 2015, showed an improved response rate of 84% (2014 (UK only): 71%).

2. Investment performance over 1 and 3 years (%)



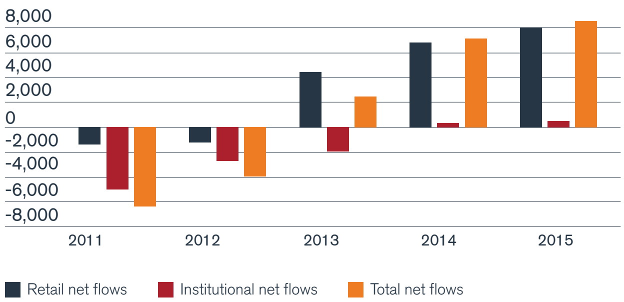
Link to strategy

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 one and three years to monitor our performance.

Performance

- At the end of 2015, 78% of funds had outperformed over one year and 81% over three years, demonstrating consistently strong investment performance
- Investment performance was strong across all of our core capabilities, with two thirds or over of our assets in each capability outperforming over three years

3. Net fund flows (£m)



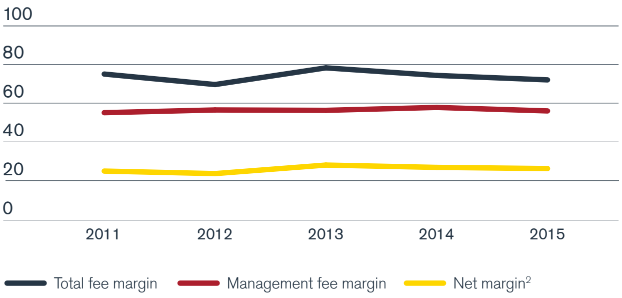
Link to strategy

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.

Performance

- Net new money growth of 11% (excluding TH Real Estate)
- Total net fund inflows of £8.5bn driven by our Retail business which contributed £8.0bn
- Institutional net flows of £0.5bn despite the exit from our Private Equity business driving an outflow of £545m
- Our significant net fund inflows reflect strong investment performance across an increasingly diverse product range

4. Fee margins (bps)[2]



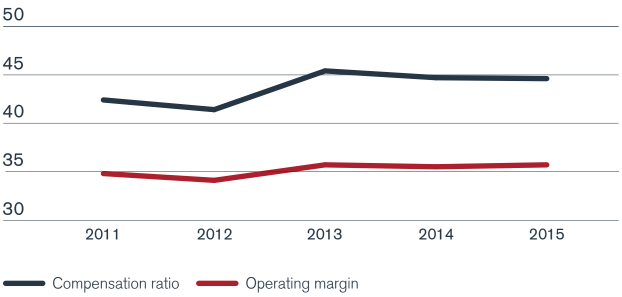
Link to strategy

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.

Performance

- Total fee margin decreased slightly to 72.0bps and management fee margin decreased to 56.0bps. These declines were driven by strong Retail flows offset by the exit from Private Equity, the impact of the win of revenue neutral Institutional mandates and the acquisition of the lower fee rate Perennial business
- Net margin remained relatively stable at 26.3bps, highlighting our ability to maintain operational efficiency

5. Operating margin and compensation ratio (%)[2]



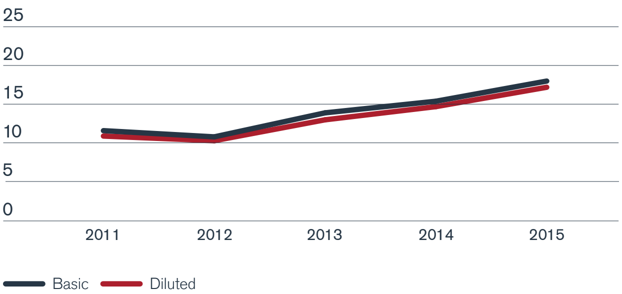
Link to strategy

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.

Performance

- Operating margin improved slightly in 2015 to 35.7%, driven by increased underlying profit and top-line revenue growth
- Compensation ratio remained broadly flat in 2015 at 44.6%, despite staff being rewarded for strong business performance, and the share price growth causing higher share scheme costs

6. Earnings per share on continuing underlying profit (p)[2]



Link to strategy

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.

Performance

- Diluted earnings per share on continuing underlying profit grew to 17.2 pence in 2015, up from 14.7 pence in 2014
- Growth was primarily driven by the 17% increase in continuing underlying profit before tax, complemented by a reduction in the effective tax rate caused primarily by some one-off items

Notes:

1. The survey captures UK staff attitudes to customer-centric topics.
2. Net margin, operating margin, compensation ratio and basic and diluted earnings per share are all based upon continuing underlying profit before tax 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.

Financial review

Last year, we said we delivered performance for clients and invested for future growth. What further progress have we made in 2015?

2015 has been a productive year for Henderson. Our recent organic investments and acquisitions are performing well. Overall, 2015 was a year of delivery.

Financial performance

We delivered strong investment performance for our clients, record net fund inflows of £8.5bn, a 17% increase in underlying profit before tax[1] from continuing operations and an increase in continuing underlying diluted EPS of 17%. Our total dividend rose broadly in line with earnings to 10.3 pence per share, and we completed a share buyback programme to the value of £25m in the second half, which reflected our strong business performance and improving capital position.

Financial KPIs (on continuing underlying operations)	2015
3 year investment performance	81%
Net fund flows	£8.5bn
Management fee margin	56.0bps
Compensation ratio	44.6%
Operating margin	35.7%
Profit before tax	£220.0m
Diluted EPS	17.2p

In light of our strong investment performance and flows, the Group achieved underlying profit before tax from continuing operations of £220.0m. Management fees – our principal revenue stream – increased by 16% to £468.3m, while management fee margins held up reasonably well at 56.0bps despite a change in business mix and acquisition of the Perennial businesses at a lower margin. Our investment performance for clients led to exceptional performance fees of £98.7m which continue to be an important contributor to our revenue, ensuring that we remain aligned with the interests of our clients.

Note:

1. 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.

Total operating expenses from continuing operations increased by 16% to £386.8m.

Employee compensation and benefits increased by 16% driven by wage inflation, the full year effect of 2014 initiatives and the acquisition of Henderson Geneva Capital Management, as well as increased variable compensation following a period of strong flows and business performance, including additional costs driven by the rising share price.

Non-staff expenses rose by 15% as we invested in our global infrastructure and we also saw cost inflation associated with risk and compliance, in response to new regulation.

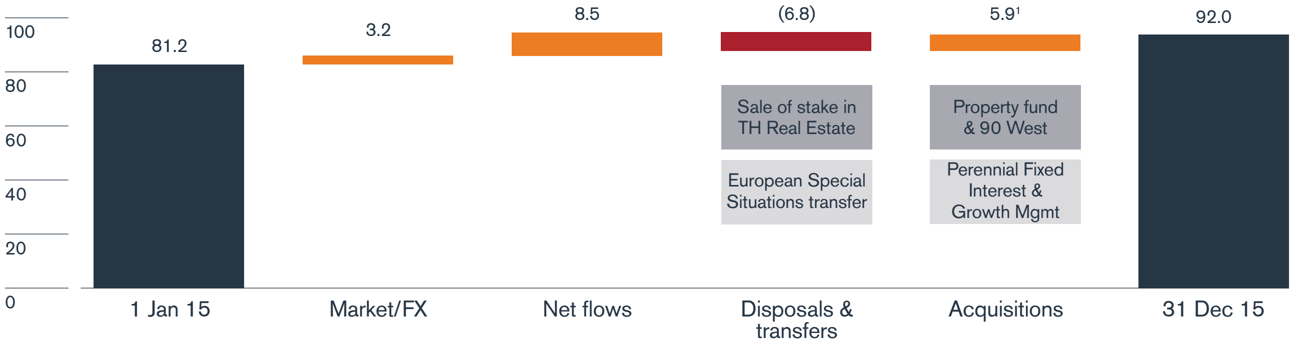
The 17% increase in underlying profit from continuing operations in 2015 was driven by strong fund flows and excellent investment performance, particularly in absolute return products, which in turn led to increases in variable compensation. As our business diversifies and we reach scale in our capabilities, we expect to be able to deliver an improvement in our operating margin and a reduction in our compensation ratio. These two key ratios saw a slight improvement, with operating margin at 35.7% (2014: 35.5%) and compensation ratio at 44.6% (2014: 44.7%).

Underlying profit after tax from continuing operations increased by 18% to £197.1m, reflecting a tax charge for the period of £22.9m and effective tax rate of 10.4%. Ignoring the effect of one-off items, our normalised tax rate was 15.2%. With increasing profits arising from acquisitions in higher tax jurisdictions and forthcoming changes in the global tax environment, the effective tax rate going forward will be much closer to the current UK tax rate of 20%.

Diluted continuing underlying EPS increased by 17% to 17.2 pence, primarily driven by an increase in profit.

Strategically, we made good progress towards our growth and globalisation goals and we enter 2016 with strong momentum.

2015 movements in AUM (£bn)



Note:
1. Adjusted for rounding.

AUM and flows

AUM by channel (£m)

	Opening AUM 1 Jan 15	Net flows	Market/ FX	Acquisitions/ disposals	Closing AUM 31 Dec 15
Retail	46,007	8,032	2,285	591	56,915
Institutional	35,155	510	963	(1,558)	35,070
Total	**81,162**	**8,542**	**3,248**	**(967)**	**91,985**

The Group's total AUM as at 31 December 2015 was £92.0bn, reflecting net inflows of £8.5bn, market and FX movements of £3.2bn and a net £0.9bn reduction from acquisitions and disposals.

Record net inflows in 2015 represented overall net new money growth of 11% (excluding Property related AUM with the exception of Henderson UK Property OEIC (HUKPOEIC)), which was well ahead of the 6-8% target set out in our growth and globalisation plan. Flows have been driven by our Retail business this year but we are pleased with the progress we are making in the Institutional segment and remain optimistic about the pipeline of global institutional-grade strategies.

Net flows by product	£m
Retail	**8,032**
UK OEIC/Unit Trust/Other	1,261
SICAVs	4,328
US Mutuals	2,291
Investment Trusts	152
Institutional	**510**
Total	**8,542**

The year started exceptionally strongly, with increased client demand for European assets. Flows were supported by the announcement of further Quantitative Easing (QE) in Europe and we were well placed to benefit with excellent investment performance from our core European products. As the year progressed, market conditions became more challenging and investors sought downside protection from products offering income and risk-adjusted returns.

UK Retail flows remained consistent across the year, although at a lower level than that for 2014 – a trend observed across active managers in the industry. Top-selling UK Retail funds included HUKPOEIC, Henderson UK Absolute Return and Henderson Strategic Bond, as client demand for alternative sources of income and absolute return products increased.

SICAVs were our top-performing range within our Retail business with record net inflows of £4.3bn. European QE was a driver of inflows at the start of the year but, as market volatility increased in the second half, we were pleased that the diversified nature of our product range and increasingly global client base helped to sustain momentum.

Our US business had a very successful year. Unlike the trend observed in 2014 where demand for European, global and international equities waned in the second half, mutual fund flows in 2015 were strong throughout the year as US confidence in these regions grew. As demonstrated in the earlier case study in Andrew Formica's review, we made important steps towards broadening our US client offering this year, and we are excited about our future prospects in this key market.

Institutional activity in 2015 was dominated by fixed income clients. We reported a small net inflow of £0.5bn for the year and were encouraged by the high level of client activity which is becoming increasingly global.

Institutional flows were particularly strong in the first half with the funding of a £1.7bn fixed income mandate, in addition to positive interest in styles including multi-asset credit and absolute return bond as clients diversified their fixed income exposure. Client demand for income continued in the second half with good flows into outcome-oriented strategies in fixed income such as diversified credit and total return bond. However, outflows from traditional core sterling credit mandates partly offset inflows, as well as the £0.5bn outflow associated with the planned run-off of our Private Equity business. Nevertheless, momentum is strong and with a good pipeline of institutional investment strategies, we remain optimistic about the outlook for this business.

Overall market and FX movements for the period totalled £3.2bn. The importance of markets in delivering our AUM goal became apparent in the second and third quarters when volatility increased. However, our active management enabled us to navigate the challenging market backdrop and we continued to outperform.

The Group completed a number of transactions in 2015, the largest being the divestment of our 40% interest in TH Real Estate, a joint venture with TIAA-CREF. In the first quarter, we acquired the Old Mutual property fund (£0.5bn) which merged into the HUKPOEIC. In June, we saw the departure of the European Special Situations fund which was reflected as a £1.0bn disposal of AUM, and we also announced our plans to accelerate growth in Australia. We took full ownership of 90 West Asset Management in May, which contributed £0.1bn of AUM, and completed the acquisitions of Perennial Fixed Interest and Perennial Growth Management in November which added another £5.2bn. The planned roll-off of the Group's Private Equity business in October represented the best possible exit for the infrastructure funds, but we were very disappointed in the outcome for some of our clients.

Over the course of the year, we made positive steps towards the delivery of our long-term strategy and overall net new money growth of 11% (excluding Property related AUM with the exception of HUKPOEIC) demonstrates that we have continued to take market share across our key retail markets.

Income drivers

	2015 £m	2014 £m
Income		
Management fees (net of commissions)	**468.3**	403.5
Performance fees	**98.7**	82.8
Other income	**34.8**	32.5
Net fee income from continuing operations	**601.8**	**518.8**
(Loss)/income from associates and joint ventures	**(0.2)**	5.1
Finance income	**17.3**	10.1
Net income from continuing operations	**618.9**	**534.0**

Management fees and fee margins

As a result of strong net inflows, in combination with excellent investment performance, management fees increased from £403.5m in 2014 to £468.3m, up 16%.

The Group's management fee margin averaged 56.0bps in 2015, a decrease of 1.8bps on 2014 (57.8bps) which was largely attributable to business mix. Average institutional margins have reduced to 26.8bps due to the ongoing roll-off of our Private Equity business and a significant £1.7bn Institutional mandate win in the first quarter – a positive outcome as a result of an insurance client consolidating managers but broadly neutral in terms of revenue impact. Retail margins continue to remain relatively stable at 73.6bps, reflecting the strong momentum in our higher margin retail equities business and client demand for absolute return products. The acquisition of Perennial Fixed Interest and Perennial Growth Management, with lower average management fee margins, only had a small negative impact of 0.3bps in 2015.

Performance fees

In 2015, performance remained very strong with 81% of funds outperforming on a three year basis and 78% outperforming on a one year basis.

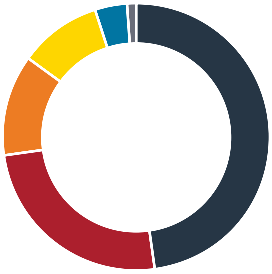
We delivered performance fees of £98.7m, a significant increase on the level reported in 2014 (£82.8m) and an excellent result reflecting continued strong investment returns for clients against a particularly volatile market backdrop.

We saw strong relative growth in performance fees generated from SICAVs, driven by excellent performance across funds including Henderson Gartmore UK Absolute Return, Henderson Pan European Alpha and Henderson Horizon Pan European Equity.

In line with last year, performance fees in 2015 accounted for 16% of net fee income – a level with which we are comfortable.

Although current performance is being driven by our core areas of strength, a number of our new capabilities are also performing well, creating a solid foundation for the future.

Performance fees



SICAVs	48%
Offshore Absolute Return	25%
UK OEICs & Unit Trusts	12%
Investment Trusts	10%
Segregated Mandates	4%
Other	1%

Other income and income from associates and joint ventures

In 2015, other income increased slightly from £32.5m to £34.8m, an increase of 7%. The largest component of this line item is a general administration charge to UK funds.

Income from associates and joint ventures decreased from £5.1m in 2014 and turned negative in 2015 (£0.2m). The largest contributor to income from associates and joint ventures in 2014 was TH Real Estate which was divested in June 2015. In 2015, TH Real Estate made a nominal contribution to continuing underlying profit.

Expense drivers

	2015 £m	2014 £m
Expenses		
Fixed employee compensation and benefits	**99.9**	88.4
Variable employee compensation and benefits	**168.7**	143.6
Total employee compensation and benefits	**268.6**	232.0
Non-staff operating expenses	**118.2**	102.6
Total operating expenses from continuing operations	**386.8**	334.6
Finance expenses	**12.1**	11.6
Total expenses from continuing operations	**398.9**	346.2

Total operating expenses

Total operating expenses increased by 16% to £386.8m, driven by a 16% increase in employee compensation and benefits and a 15% increase in non-staff operating expenses.

Fixed employee compensation increased by 13% to £99.9m reflecting the full year effect of Henderson Geneva Capital Management and prior year investments, in combination with wage increases and a number of new hires. Costs attributable to the Perennial acquisitions were added in November 2015.

Variable employee compensation increased to £168.7m, up 17% – an outcome of our remuneration schemes being structured to reward strong business performance, principally investment performance and flows. In 2015, we saw strong performance across our absolute return range, for which the performance fee pay-out is higher. Our resulting compensation ratio for the period was 44.6%, of which 0.7% related to additional national insurance costs on share schemes arising from the increase in share price from 214.0 pence at 31 December 2014 to 309.6 pence at 31 December 2015.

Our non-staff operating expenses increased by £15.6m to £118.2m, driven by increased regulatory project costs and continued investment in our global infrastructure.

Finance income and expenses

Finance income increased significantly from £10.1m in 2014 to £17.3m in 2015, driven by a £10.9m one-off gain on seed capital invested in the property funds which were sold to TIAA-CREF as part of the sale of our 40% stake in TH Real Estate. We subsequently reinvested this seed capital into our core business.

Finance expenses increased from £11.6m in 2014 to £12.1m in 2015 and reflected the interest payable on the 2016 Notes, which are due to be repaid in March 2016, and a small amount of other interest costs.

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 costs totalled £35.9m after tax (2014: £85.0m profit) and are primarily attributable to intangible amortisation of previously acquired investment management contracts, offset by a gain of £12.3m before tax which was largely attributable to the sale of the Group's 40% stake in TH Real Estate. In 2015, the Group recognised acquisition related costs of £5.9m before tax relating to deal and implementation expenses following the acquisition of Perennial Fixed Interest, Perennial Growth Management and 90 West and the conclusion of the Henderson Geneva Capital Management integration.

Australian acquisitions

On 1 November 2015, the Group completed its acquisitions of Perennial Fixed Interest and Perennial Growth Management, resulting in a £5.2bn increase to our AUM. In a separate transaction which completed on 29 May 2015, the Group took full ownership of 90 West Asset Management – our global natural resources equity business.

Australia is an important strategic market for Henderson and our recent acquisitions bring recognised domestic investment management capabilities which complement our global offerings, and align with our objective of growth and globalisation.

Tax

The tax charge on the Group's underlying profit from continuing operations for 2015 was £22.9m, resulting in an effective tax charge of 10.4% (2014: 11.0%) in comparison to a pro-rata UK corporation tax rate of 20.25% (2014: 21.5%). In 2015, the Group benefited from profits in some overseas jurisdictions being subject to lower tax rates and one-off tax credits on settlement of items relating to prior years, which has reduced the effective tax rate.

The Group's policy is to ensure that our profits are subject to tax in accordance with applicable tax laws and regulations in the jurisdictions in which we operate. Accordingly, the Group's future effective tax rate is dependent on any changes to such laws and regulations and is likely to rise to much nearer the UK tax rate in 2016.

Liquidity and capital management

The Group generated strong net operating cash flows, with total cash and cash equivalents of £381.6m at 31 December 2015 – an increase from £242.8m (including cash classified as held for sale) reported in 2014. Unrestricted cash stood at £352.6m after excluding manager dealing accounts, restricted cash and cash held in structured entities. With gross debt at par totalling £150.0m, the Group ended 2015 in a net cash position of £202.6m (2014: £77.7m). We intend to repay our £150.0m 2016 Notes maturing in March 2016 from cash resources.

Net cashflow was improved by a net £52.1m received from acquisitions and divestments, with the amounts received for the Group's 40% stake in TH Real Estate outweighing amounts paid for the Perennial acquisitions. A net inflow of £7.8m was received from seed capital investments, with amounts received for the disposal of the investments in TH Real Estate funds more than offsetting the £22.3m invested in new fund launches which included the Henderson Global Equity Income Fund in Australia and the Henderson Horizon Pan European Dividend Income Fund. We consider seed investments to be a positive use of capital in our business. The increase in net cash was moderated by the £25m share buyback which is described later in this section.

To ensure the Group has sufficient access to liquidity following repayment of the 2016 Notes, on 10 February 2016 the Group entered into a revolving credit facility for £30.0m. Currently, there are no amounts drawn down under this facility.

Turning to regulatory capital, the Group is subject to regulatory oversight by the FCA and international regulatory bodies. The Group ensures it is compliant with its regulatory obligations at all times. We continue to operate under an investment firm waiver from consolidation supervision until April 2016. The regulatory capital surplus of the Group under the parent financial holding company test was £918.4m as at 31 December 2015 (2014: £960.0m). However, based on our own calculations, capital above our regulatory requirement without recourse to the waiver was around £100.0m as at 31 December 2015 (2014: £44.0m). The improvement in our capital position over the course of the year has been driven by strong profits and the disposal of our stake in TH Real Estate, offset by dividend payments, the share buyback and the purchase of the Perennial businesses.

Dividend

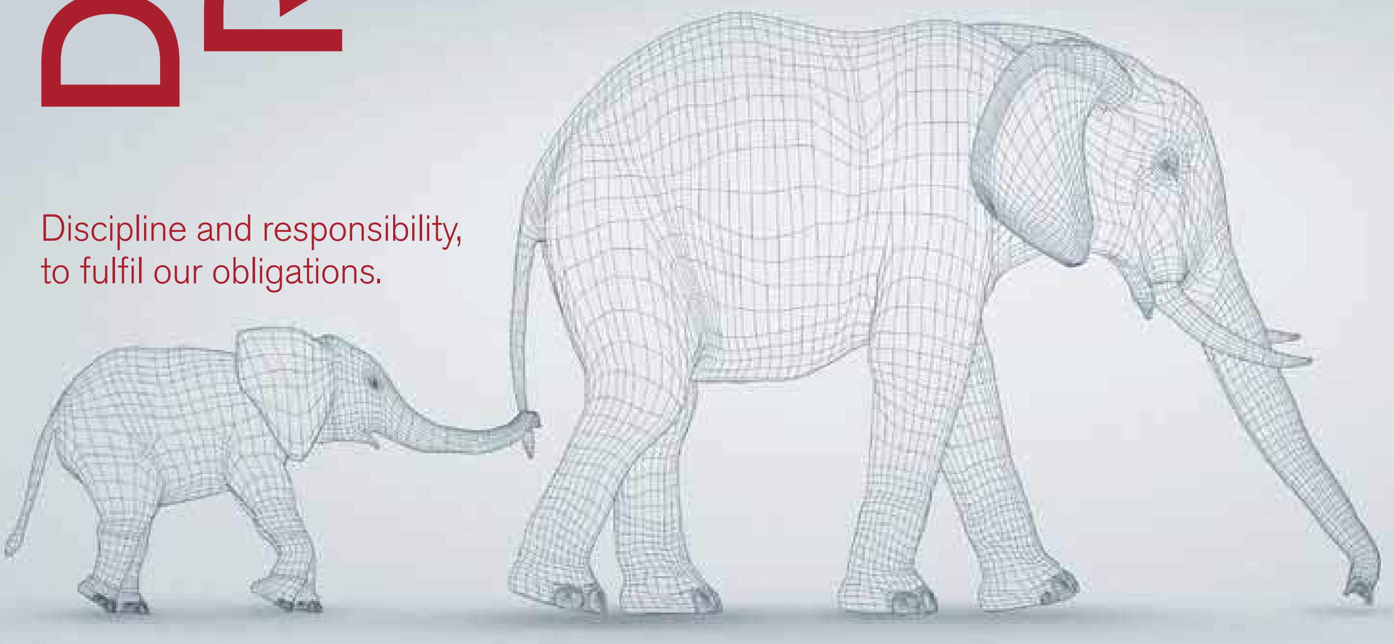
The Board declared an interim dividend of 3.10 pence per share and is recommending a final dividend for 2015 of 7.20 pence per share, bringing total dividends for 2015 to 10.30 pence per share, an increase of 14%. The proposed final dividend will be paid on 27 May 2016 to shareholders on the register on 6 May 2016. We continue to operate a progressive ordinary dividend policy and expect to grow our ordinary dividend broadly in line with underlying earnings growth over the medium term.

Share buyback

We are committed to the active management of our cash and capital resources. In 2015, our capital position strengthened which gave us increased flexibility around the deployment of our cash and capital, be that via organic growth, inorganic investment or returns to shareholders. In July, we announced that we were in a position of capital surplus and the Board was comfortable with our capital position following a period of strong business performance. Consequently, we were pleased to implement a share buyback programme to the value of £25m, which was completed in the second half of 2015.

DISCIPLINE AND RESPONSIBILITY

Discipline and responsibility,
to fulfil our obligations.



Risk management

The primary purpose of the Risk and Compliance functions is to assist Henderson in achieving its strategic objectives by "doing the right business in the right way". How has Henderson's risk profile changed in the year?

Market and liquidity risks, cyber risks and the intensity of regulatory change were key themes in the year.

Developments in 2015

Investment underperformance risk, both relative to benchmark and in absolute terms, is a key risk affecting the Group's business. Investor risk appetite and market prices are heavily determined by perceptions of macroeconomic and geopolitical risks. During 2015, these risks included continuing concerns over economic weakness in the eurozone, a significant loss of momentum in emerging markets, notably in China, and uncertainty over the timing and impact of any tightening of monetary policy in the USA. Heightened political risks included tensions in Eastern Europe, escalating violence in the Middle East and the impact of high levels of immigration on the cohesion of the European Union as well as the potential outcome of a referendum on the UK's continued membership of the European Union and the associated implications of any subsequent 'Brexit'. There were also heightened concerns over liquidity in fixed income markets and the potential consequences of large investor redemptions in this asset class. Henderson has not experienced any challenges in meeting redemptions in 2015, although we continue to monitor changes in liquidity risk closely and the potential impacts of such risks to our clients and funds via our Investment Risk team.

The intensity of regulatory scrutiny in relation to the asset management sector as a whole has increased significantly in the year, especially in Europe, and will continue to require focused attention and investment to meet more demanding regulatory standards. Cyber risks have also continued to be a key area of focus for global regulators and the Company. We have sustained our programme of technology and process enhancements, coupled with global staff training, in this area.

The emergence of disruptive technologies, such as robo-advice, and their potential impact to our current business model are being closely monitored.

Changes in internal risks have been primarily driven by the continued global expansion of the business, with increased investment management and support capability in global locations, associated integration processes and expanded third party relationships. We have continued to build out our global risk management capabilities to match the developments in the business.

Capital position

The quantum of Henderson's risk exposure has not materially changed in 2015. Nevertheless, our successful delivery on our objectives throughout the year has led to a continued improvement in our capital position. This has enabled us to complete a £25m share buyback programme while maintaining estimated capital above our regulatory requirement of around £100m at 31 December 2015 (on a without recourse to the investment firm consolidation waiver basis).

Risk management framework

Risk management is a fundamental component of our global operating model and is deeply integrated in our day-to-day processes and controls. Although overall accountability for risk management lies with the Board, the principle of individual accountability and responsibility for risk awareness, monitoring and management is a key feature of our culture. All staff are assessed against their approach to, and demonstration of, risk management as part of the year end appraisal process. Henderson's approach to risk management is documented in our risk appetite statement, which includes specific qualitative and quantitative statements, and measures around eight key themes considered essential to the successful delivery of the Group's strategic goals:

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

The risk appetite statement provides direction as to the levels of risk which the business can take and is reviewed at least annually by the Board. The statement incorporates risk limits which, if reached, will prompt management to take action to reduce risk levels. These are supported by specific key risk indicators to ensure the Board is able to assess levels of risk across the business against the mandated appetite.

The Board and senior management take a forward looking view of risk to enable timely assessment and, where necessary, mitigation of new and emerging risks. The risk management process supports this approach through the early identification of emerging risks so that they can be evaluated alongside known and continuing risks. The principal risks which the Group faces as a result of its business model and strategy are described on pages 26 and 27.

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

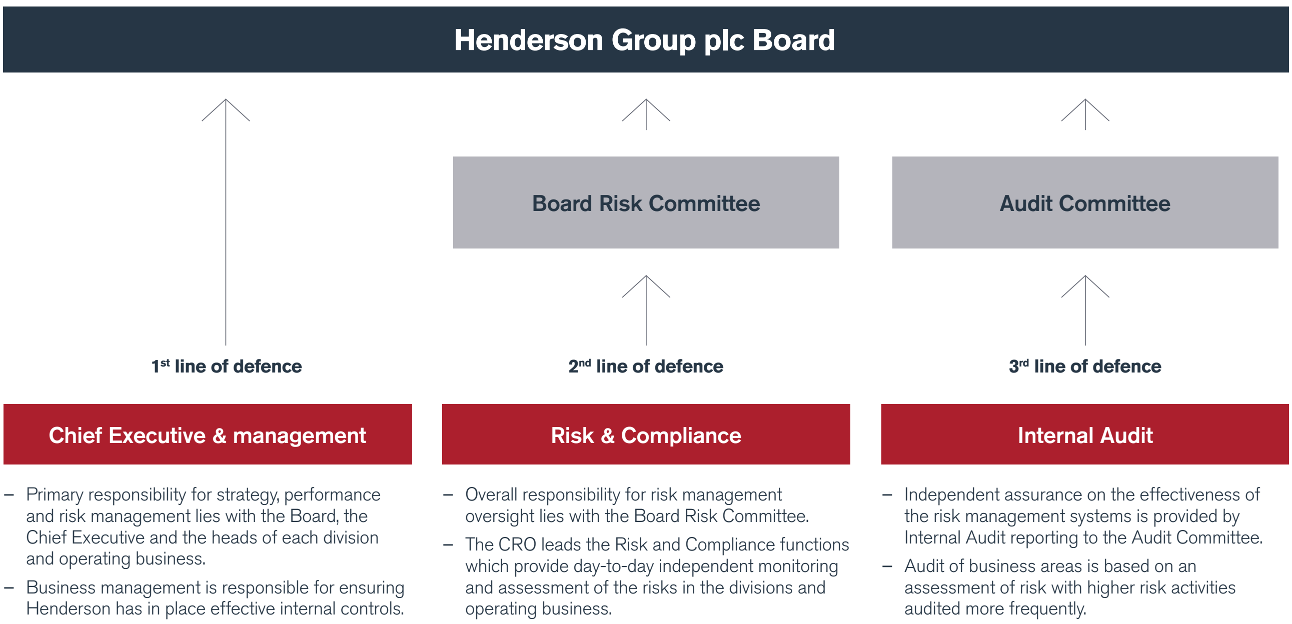
Three lines of defence

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

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

The second line comprises the Risk and Compliance functions which monitor the financial, investment, operational and regulatory risks in the business and the related controls in place to manage these risks. The Risk and Compliance teams report to the Chief Risk Officer (CRO), who is independent of management and reports directly to the chair of the Board Risk Committee (BRC). The CRO attends all Board, Audit Committee and BRC meetings and detailed Risk and Compliance reporting is provided to these meetings by the second line functions. The CRO is also a member of the ExCo to ensure that risk management remains central to all aspects of business strategy and management.

The third line comprises Internal Audit which provides independent assurance over the operational effectiveness of processes and controls across the business. Internal Audit reports directly to the chair of the Audit Committee.



Henderson's Assurance function

The Assurance function comprises both second line of defence (Risk and Compliance) and third line of defence (Internal Audit) activities. The primary purpose of the Risk and Compliance functions is to assist Henderson in achieving its strategic objectives by "doing the right business in the right way". Consequently, Henderson will successfully protect all its clients' interests and its reputation as a trusted global asset manager. These goals underpin the work of all of Assurance, although each of the component parts of the function achieves them through different blends of educating, providing oversight and challenge, advising and supporting the business.

Viability statement

In accordance with the provisions of C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group, taking into account the current position and the principal risks that could have an impact on the Group's business model, future performance, solvency or liquidity (see pages 26 and 27). The Board has determined the principal risks through a process of consideration and assessment of Henderson's strategic objectives and current global business model.

The Directors have chosen to consider the prospects of the Group over a five year period, which is consistent with Henderson's strategic planning process.

As the Group is a regulated financial services business, the reports and procedures required by the Board to make its assessment are embedded within the Group's governance processes, which include, but are not limited to, the following:

- Budget and strategic planning results and assumptions reviewed by the Board containing profit, cash and capital forecasts over the next five years. This process also includes stress testing and a robust downside scenario. The scenarios are designed to be severe, yet plausible, and take into account the likely effectiveness of the mitigating actions that could be taken to reduce the impact should such an adverse event occur
- Consideration by the BRC of significant risk events that are designed to explore the resilience of the Group as part of its reverse stress testing process
- Consideration by the BRC of the Group's risk appetite statement
- Monitoring throughout the year by the BRC of the Group's strategic risk metrics.

The stress testing scenarios include a significant and protracted market downturn, poor investment performance and client withdrawals.

The five year strategic planning period is considered an appropriate timescale over which to assess viability as this is the period assessed by the Board for its Internal Capital Adequacy Assessment Process (ICAAP) and is considered to be the length of time required to determine whether a new investment team or strategy will ultimately be successful from launch. The five year period provides less certainty of outcome than detailed one year budgets used to set internal targets, but provides a robust planning tool against which strategic decisions can be made.

The Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period used for the assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Strategic priorities and associated principal risks:

Deliver first-class investment performance and service to our clients | **Expand our global investment offering to meet the current and future needs of our clients**

Reputational risk: 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 considered more likely to result from one of the other risks

	Investment performance	Market	Liquidity	Fund flows	Key personnel
Description	▪ Risk that Henderson funds fail to achieve their performance hurdles or benchmarks, or performance is poor relative to that of peer funds, leading to client redemptions and reduction in AUM and revenues earned by the Group. ▪ Poor fund performance will also result in lower performance fees and reduced revenue.	▪ 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.	▪ Risk that underlying positions in funds managed by Henderson cannot be sold, liquidated or closed at a reasonable cost in an appropriate timeframe. As a result, a fund may incur losses and have a limited ability to meet its investor redemption obligations. Gating a fund would cause significant reputational damage.	▪ Risk of net redemptions by clients resulting in a decline in AUM and revenues earned by the Group.	▪ Risk of losing either a member of the ExCo or one of the Group's key investment or distribution teams. Potential adverse effect on business growth and/or the retention of existing business.
Trends in 2015	▪ Continued strong fund performance, with 81% of funds (weighted by AUM) outperforming over three years.	▪ The decline in equity markets in mid-2015 and subsequent volatile global market performance in the second half of the year impacted client AUM values.	▪ Reduced liquidity in global fixed income markets. ▪ Sudden and large price movements in certain asset classes/securities have become more frequent during the year.	▪ Overall, strong positive net inflows throughout 2015.	▪ Staff turnover remained low throughout the year, although two members of the ExCo left the Company in the year. ▪ Inflows into strongly performing funds have led to increasing concentration risk in European Equities; however, the percentage of Group revenues managed by any individual remains diversified.
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 asset classes and fund styles reduces the probability of all funds underperforming at the same time. ▪ Independent Investment Risk function provides monitoring and challenge to ensure that the level of risk taken for each portfolio is consistent with client expectations.	▪ Risk of a fall in the value of clients' AUM is mitigated by having a broad range of clients by distribution channel, product, asset class and region. ▪ A significant amount of our expense base is variable. ▪ Limits on the aggregate amount of seed capital investment, diversification of the assets invested and appropriate hedging of the risks.	▪ Liquidity risks considered during implementation of new products and approval of new instrument types. ▪ Dilution levies and swing prices used to ensure that investors are treated fairly. ▪ Detailed oversight and challenge of fixed income and equity holdings by Investment Risk, including stress and scenario testing of portfolios. ▪ Close monitoring of global markets and liquidity events to ensure appropriate actions are taken as required.	▪ Diversity of sources of revenue by asset class, capability, fund style, strategy and geography. ▪ Diversity of investor base between Retail and Institutional and by geography. ▪ Strong investment performance across product ranges.	▪ Competitive remuneration structures designed to recognise and reward staff performance that is in line with our principles. ▪ Succession plans are in place throughout the organisation to ensure that there is cover for key roles. ▪ Regular staff surveys are undertaken to identify any issues which could impact staff retention. ▪ Comprehensive training is offered to staff to improve skills and engagement. ▪ Strategy of sustaining broad and diverse fund manager teams to avoid dependence on single managers or teams.
Priorities in 2016	▪ Continued focus on investment performance across a broader range of investment styles.	▪ Monitoring of market related trends and potential impacts. ▪ Maintaining our diverse revenue base and agile approach to cost management.	▪ Continue monitoring of external events to identity potential market impacts in relation to Henderson funds. ▪ Continue focus on liquidity risks by the Investment Risk team through engagement with portfolio managers and review and challenge of portfolio holdings. ▪ Frequent scenario testing to ensure portfolios continue to meet house liquidity requirements.	▪ Continue to globalise our product range, launching successful products in new wrappers. ▪ Create products to meet client demand for global income, capital appreciation/preservation and other outcomes. ▪ Ensure that ongoing customer interest enhancements are thoroughly embedded. ▪ Targeted marketing initiatives to support client-focused themes.	▪ Continue the alignment of co-fund managers across relevant funds. ▪ Maintain high levels of staff engagement across the global firm.

Strategic priorities and associated principal risks:

➔ Strategy p.14 and 15

Diversify our business | **Operate efficiently**

materialising rather than as a standalone risk. Reputational risk is, therefore, mitigated primarily by the controls in place around our principal risks, but is also supported by our client-centric culture, which focuses on openness, transparency and delivery for clients.

	Acquisitions and divestments	Strategic	Operational, IT and legal	Regulatory change
Description	▪ Risk that an acquisition is a strategic failure, delivers negative economics or adversely impacts other parts of the business. ▪ Risk of organisational stress or process failures through potential demands on staff and resources through the need to integrate acquired businesses or to reorganise processes to divest parts of the business.	▪ Risk that Henderson's business strategy fails to deliver the required and expected outcomes for stakeholders. ▪ Risk that technological innovation and/or new market entrants within the asset management industry reduces profitability and requires a fundamental change to Henderson's business model.	▪ 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 our key outsourced service providers properly, failing to manage financial crime risks, failing to manage operational aspects of our global expansion, the risk arising from major disruption to our business, including from cyber crime, and the risk of losses from trade execution errors or breaches of investment mandates. ▪ Risk of losses from litigation.	▪ Risk that a change in laws and regulations, however driven, will materially affect the Group's global business or markets in which it operates. This risk may affect the business either directly or indirectly by reducing investors' appetite for our products, increasing capital requirements, restricting our ability to sell certain products or pursue specific investment strategies, reducing our profitability through fee restrictions, affecting our ability to retain key personnel and/or increasing the cost and complexity of the Group's business.
Trends in 2015	▪ Acquisition of Perennial Fixed Interest and Perennial Growth Management. ▪ Acquisition of the remaining equity of 90 West Asset Management not already owned by the Group. ▪ Disposal of our remaining equity interest in the TH Real Estate joint venture. ▪ Acquisition of Old Mutual property fund.	▪ Continued innovation within the asset management industry, with ongoing focus on reduced costs and debate as to the relative merits of passive, "smart beta" and active management strategies and business models. ▪ Emergence of low cost solution providers giving online discretionary investment management/robo-advice.	▪ Continued increase in the number and sophistication of acts of cyber crime against firms generally. ▪ Global expansion increases general operational risks through new staff, locations, system requirements and new/expanded third party relationships.	▪ Pace of regulatory change remained significant including new UK client money regulations, central counterparty clearing for OTC derivatives, Solvency II and European Banking Authority (EBA) Remuneration rules. ▪ Major regulatory change also underway with MiFID II, FCA Asset Management Market Study and FCA Senior Managers and Certification Regime.
Mitigation	▪ 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 by any acquisition/divestment. ▪ Thorough due diligence performed before any acquisition is made, including assessment of our ability to successfully integrate the acquired business. ▪ Specific governance and project management structures implemented for acquisitions/disposals. ▪ Integration risk, post-closing, is managed, monitored and reported.	▪ Concentration on delivery of Henderson's strategy through provision of first-class investment performance and service for our clients as efficiently as possible. ▪ Monitoring of emerging developments in the asset management industry, which might pose a threat to our current business model. ▪ Maintaining a clear understanding of our clients' needs through communication and interaction.	▪ Our control systems are designed to ensure operational and legal risks are mitigated to a level which is consistent with our risk appetite. ▪ Globally embedded three lines of defence model is key. ▪ Outsourced service providers are overseen by the relevant line function and the controls of key service providers are also reviewed by the Group's Assurance function. ▪ We maintain and test service and business continuity plans which are designed to ensure that, in the event of business disruption, we can maintain our operations without material damage to the business.	▪ Continued active and constructive engagement with regulators through regular dialogue. ▪ Regulatory developments are monitored by a dedicated team in Compliance, in liaison with external experts where required. ▪ Formalised cross-business project groups implement required changes to our business processes. ▪ Active involvement with and through relevant industry bodies.
Priorities in 2016	▪ Disciplined use of mergers and acquisitions to supplement organic growth. ▪ Continue to embed our Australian business, through the integration of the Perennial Fixed Interest, Perennial Growth Management and 90 West Asset Management teams.	▪ Concentration on delivery of Henderson's strategy through provision of first-class investment performance and service for our clients as efficiently as possible. ▪ Closely monitor developments in the industry. ▪ Continue to engage and interact with clients to ensure that we fully understand their needs and priorities.	▪ Focus on improving operating margins after a period of targeted investment. ▪ Disciplined capital management to build an appropriate capital buffer. ▪ Continue to invest in infrastructure and in the provision of our common global operating model.	▪ Fully engage with the FCA Asset Management Market Study. ▪ Despite a delayed implementation date, MiFID II will require significant investment of time and resources throughout 2016/17. ▪ Review implications of a vote for the UK to leave the European Union.

EXPERTISE AND AWARENESS

Expertise and awareness, to achieve successful active management.

Resources, relationships and responsibilities

Our business model (see page 12) identifies three key sets of resources and relationships – our core investment management capabilities including risk management; client relationships and brand; and the talented people we employ throughout our business.

Here, we give further insight into how these resources and relationships generate value for our clients and shareholders.

Asset management is essentially a people business. Our success is driven by our people and their commitment to our three guiding principles of collaboration, conviction and responsibility. We believe in bringing these values to everything we do as individuals and as a team.

Collaboration is working together and sharing knowledge so our clients benefit from the combined force of the whole company.

Conviction is our passion, belief and energy. We have no house style to constrain the expertise of our investment professionals.

Responsibility is the foundation of best practice. We know that performance, service and trust all flow from taking personal and collective responsibility, always in the service of our clients' needs.

A keen sense of corporate responsibility is ingrained in the way we do business. The Core investment management capabilities section describes our attitude to responsible investing, including the momentum building in the Henderson Global Care Growth strategy. In Client relationships and brand, we describe our approach to client engagement. Our People section recognises the importance of making Henderson an attractive place to work, in social as well as financial terms. We summarise our approach to Corporate Responsibility at the end of this section.

For a deeper understanding of the value creating components of our business, read the following sections:

Investment management capabilities

➔ Core investment management capabilities p.30

➔ Risk management p.23

Client relationships and brand

➔ Client relationships and brand p.38

People

➔ Our people: our greatest asset p.42

Corporate Responsibility

➔ Corporate Responsibility p.44

Core investment management capabilities

Last year, we explained that our investment teams operate in an environment that balances independence of thought and process with strong governance and an impactful Risk team.

Our focus is on maintaining investment performance, strengthening the support framework for fund managers and continuing to increase the breadth and depth of Henderson's investment capabilities.

2015 highlights

- Performance – 81% of funds met or exceeded their benchmarks over three years
- European equities – investor appetite for Europe increased, with Henderson's talented team a major beneficiary
- Fixed income – in a challenging year for fixed income, the Retail team stayed true to their process and delivered standout relative returns
- Demand for income – income-paying strategies continued to attract interest, with Henderson's offerings across a range of asset classes benefiting
- Outcome-oriented products – Henderson's broad fixed income expertise was tailored to deliver diversified strategies for institutional clients

This time last year, we stated that the focus was on maintaining investment performance, strengthening the support framework for fund managers and continuing to increase the breadth and depth of Henderson's investment capabilities. On all three measures, Henderson has made progress.

The performance numbers speak for themselves and, while certain areas can still improve, are exceptional for a group of Henderson's size. At the support level, we have made notable progress as we continue to strengthen our infrastructure in order to provide invaluable safeguards and guidance to our investment teams.

Breadth and depth

In terms of broadening Henderson's capabilities, this too is an area in which progress has been made. If 2014 was a year of adding to and strengthening teams, 2015 was the year in which these teams began to bed down and build the processes and track records that give clients confidence in Henderson's ability. Across the five pillars – European Equities, Global Equities, Fixed Income, Multi-Asset and Alternatives – Henderson has teams offering asset class-wide strategies alongside more focused offerings. Our expertise is in listed assets and we believe in genuine active management. In providing a range of long-only as well as long/short funds and mandates, Henderson's managers run portfolios for investors of differing levels of sophistication across the world.

The following pages go into more depth on developments within each pillar. With investment teams situated in Europe, the US, Asia and Australia, Henderson and our clients benefit from unique and varied viewpoints. We are mindful of the need to support these teams fully wherever they are situated and ensure their potential is realised.

Balancing organic growth and acquisitions

Henderson's growth plan is dependent on ensuring the Group offers a diverse range of capabilities, and is able to meet a variety of client needs throughout the cycle. The foundations for this platform have been established in recent years through organic growth of existing teams as well as tactical acquisitions. In 2015, many of the investment teams were further strengthened. These include the Global Property Equities team, which brought its US investment management function in house, and the Fixed Income team, with new hires to strengthen existing capabilities.

On the acquisition side, Henderson completed the integration of Geneva Capital Management, a team of Milwaukee-based US equity specialists, which was acquired in 2014. It was particularly pleasing to see the newly branded Henderson Geneva Capital Management team executing a strong performance turnaround following the completion of the integration in mid-2015. Additionally, Henderson announced the acquisition of Australia-based Perennial Fixed Interest and Perennial Growth Management, which completed in November 2015. These acquisitions leverage Henderson's strong corporate heritage in Australia and broaden the scope of the global fixed income and equity teams, as well as Henderson's distribution reach.

Established and developing teams

2015 proved to be a strong year for some of the more established teams. The European Equities team, led by John Bennett, saw strong demand as Europe returned to favour; Alex Crooke and the Global Equity Income team attracted inflows as investors searched for yield; John Pattullo and Jenna Barnard delivered strong fixed income performance; and Stephen Peak's International and European equity strategies also had a strong year. In the Institutional space, Henderson's ability to tailor multi-sector fixed income strategies to meet the growing needs of clients for outcome-oriented solutions also proved popular.

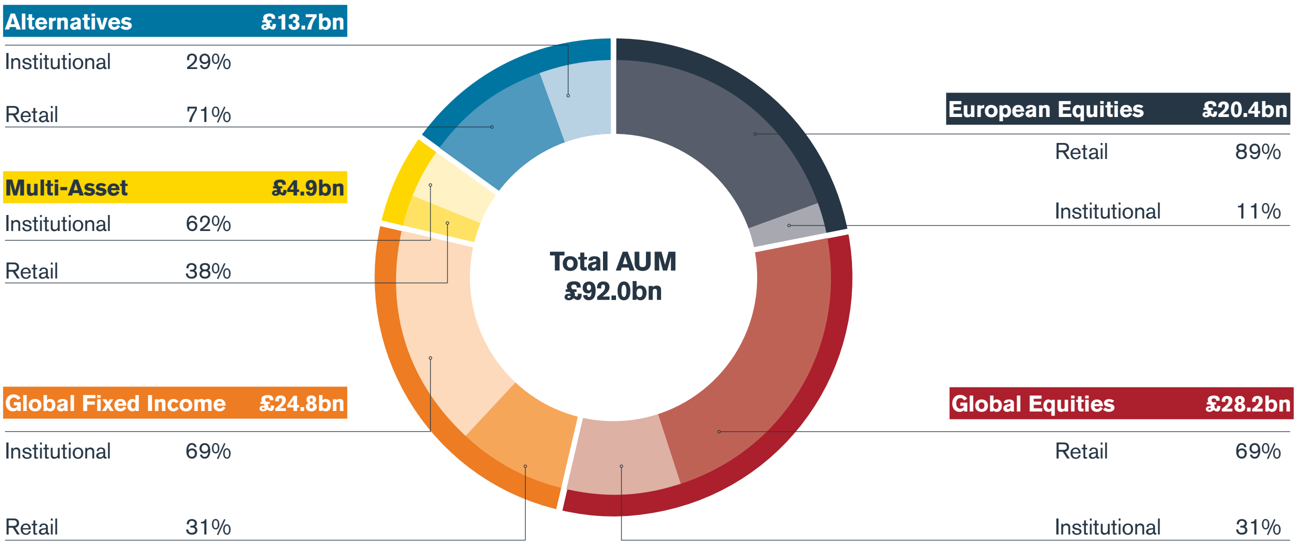
Looking to the future, Henderson has teams at an earlier stage in their development. Notable among these are the Global Emerging Markets team, led by Glen Finegan; the US-based Credit team, under Kevin Loome; and the Emerging Markets Credit team, led by Steve Drew. These teams have all made strong starts. The Global Equity Income OEIC and SICAV vehicles reached their three and one year anniversaries respectively, while the European High Yield strategy also reached its three year mark. Having launched more than 40 funds since 2012, many more are fast approaching meaningful milestones.

Future focus: opportunities and challenges

Financial markets will pose challenges in the coming year. Henderson has put in place talented teams with the freedom to position portfolios in the best interests of our clients. We believe in active management and our investment teams are remunerated based on the value they deliver to clients above and beyond broader market returns. While markets will at times be challenging, this also presents opportunities, particularly for investors with a longer-term time horizon. It also creates conditions that should suit teams skilled in fundamental analysis and security selection.

Regulatory changes continue to shape the industry. These have, and will result in, new requirements at a control level but may also change the structure of markets, impacting the way that Henderson manages money for clients. Staying at the forefront of this reform agenda is therefore paramount in 2016 as we seek to build ever stronger relationships with clients and shape new products that best meet their needs in the changing investment landscape.

Investment management capabilities



Investment performance

Core capability	AUM 31 Dec 2015 (£bn)	1 year[1]	3 years[1]
European Equities	20.4	80%	92%
Global Equities	28.2	77%	81%
Global Fixed Income	24.8	63%	77%
Multi-Asset	4.9	83%	98%
Alternatives	13.7	98%	66%
Total	92.0	78%	81%

Notes:

1. Percentage of funds, asset-weighted, that are outperforming based on the relevant metric: peer percentile ranking for Retail, positive for absolute return, positive versus benchmark for Institutional.

- The purpose of including awards on the following pages is non-promotional. The funds presented might not be available for distribution in the reader's jurisdiction.

European Equities

"Loose central bank policy amidst deflationary forces means active management remains as important as ever for European equity investors, especially this late in the economic cycle."

John Bennett
Head of European Equities

European Equities AUM

What differentiates the European Equities team?

Breadth and experience

Our team comprises 19 highly experienced specialists with an average of 20 years' experience. The approach is based on team collaboration, sharing research, discussing potential investment ideas and participation in company meetings. There is no team view on macro events or individual stocks, but we take a collaborative approach to research and analysis. Each manager is free to implement their views on the economy, industries or individual companies as they see fit. This environment of debate keeps us alert to change and opportunity.

Products that meet different investors' needs

We have continued to build on complementary strategies that span the investment spectrum. The team manages a broad range of dedicated products to suit various investor profiles across market capitalisation (small, medium or large), geographic exposure (eurozone, continental or Pan European), growth or value bias, long-only and long/short and, most recently, income generation.

What were the highlights of 2015?

Strong performance and client demand

Momentum built steadily in 2015, with continued client demand reflecting investor appetite for European companies and recognition of our credentials across European long-only and absolute return strategies. Despite the rise in demand for exchange traded funds, investors in our asset class continue to favour high-conviction vehicles. Strong net inflows included more than £1.6bn into the Henderson Gartmore Continental European Fund and nearly £0.7bn into the Henderson Horizon Pan European Equity Fund.

Client communication

There was too much focus on macro and geopolitical noise in 2015. Structurally, the same problems that plagued Europe at the start of 2015 – high public debt; a lack of inflationary pressures; and uncertain growth – are the same problems that persist now. Throughout the year, we have tried to remain measured in what we say to clients, ensuring they understand our strategies and take confidence from our longer-term mind set.

Awards

Good performance for clients was reflected in industry recognition:

Henderson European Focus Fund:

Investment Week 2015 Fund Manager of the Year Awards – Best in class

Henderson Horizon Euroland Fund:

Lipper Fund Awards – Best Eurozone Equity (3 years and 5 years)

Fund Selector Asia 2015 – European Equity 'Gold Award'

Henderson Gartmore Continental European Fund:

Lipper Fund Awards – Best fund over 3 years – Equity Europe ex UK sector.

What developments are you most excited about for 2016?

Reaping dividends

In November 2015, we launched the Henderson Horizon Pan European Dividend Income Fund, designed to take advantage of the income opportunity in European equities. The fund leverages the proven strategy of the Henderson Horizon Euroland Fund, with an additional filter to reject stocks that do not produce an attractive income stream.

Bringing through young talent

Continuity comes from the sustainable development of young talent within the team. This year saw Rory Stokes, who first joined the team as an analyst in 2013, step up to assist Ollie Beckett in managing the team's Pan European smaller companies strategy. Other analysts within the team continue to develop well, giving us confidence that while 2015 was a good year, we are also laying solid foundations for the future.

Global Equities

Our diverse range of strategies means that we are able to offer investment products that not only serve local markets but have global appeal."

Graham Kitchen
Head of Equities

Global Equities AUM

Global Equity Income – growing demand

Our 12-strong Global Equity Income team, led by Alex Crooke, continues to build on its impressive income heritage and has seen increased demand from investors as the search for yield continues. In 2015, our Global Equity Income strategy continued to attract investors in the US; celebrated its three year anniversary in the UK; became more established in Asia and Europe; and was launched in Australia. We also implemented a successful fundraising for a closed-ended equity income vehicle in the US. Meanwhile, the Henderson Global Dividend Index, which is a long-term study into global dividend trends, has proved to be a well-read and insightful means of furthering the debate around equity income investing.

What are the key elements of the Henderson Global Equities capability?

Our Global Equities capability has a wide range of strategies targeting multiple investment channels. It is made up of a series of expert teams specialising in different sectors, regions and styles. These include teams that invest worldwide and are building high-capacity global products covering the emerging markets, equity income, growth, natural resources, technology and property equities, as well as regional and country-focused teams.

We have no overarching house style, with each team responsible for their investment process, stock selection and portfolio construction, which is subject to challenge and debate.

Formal and informal meetings across teams provide a platform for sharing research, investment ideas and themes. This ensures that our fund managers are free to focus on what they do best – generating value for clients – which has enabled Henderson to attract and retain some of the industry's most talented managers.

What have been the highlights in 2015?

While it has been a challenging investment environment, performance generally has been strong across the teams. The growth and development of our Global Equities capability, both organically and via small acquisitions, has also been extremely rewarding to see.

Our established mutual fund range in the US continued to attract investors, with the International Opportunities Fund recording a net inflow of US$1bn in 2015, while Global Equity Income had net inflows of US$712m. Henderson Geneva Capital Management, now fully integrated into the Group, saw a strong turnaround in performance meaning outflows were primarily weighted to the first half of the year.

Existing investment teams were also strengthened through new hires, while other teams were restructured. These include the Edinburgh-based Global Emerging Markets team with Glen Finegan's recruitment in January; additional resource for Matthew Beesley's Global Equities team; taking full ownership of 90 West – previously Henderson owned 41% – and its Global Natural Resources team; the hire in October of a US Property Equities team to bring management of US property equities in house and seek to address underperformance; and the addition of an Australian equities team as part of the Perennial acquisition, in November. We are also seeing a number of highly-talented younger fund managers who have progressed through our graduate schemes, such as Laura Foll and James Ross, develop and add significant value.

It has been pleasing to see our sustainable and responsible investment (SRI) funds build momentum, with net inflows of £84m. Investor appetite for this form of investing is growing in response to the costs of corporate scandals and poor corporate governance, while greater environmental and social awareness generally is translating into a desire for investments to embrace these social values. Henderson's growing reputation in SRI was reflected in the Henderson Global Care Growth Fund winning 'Best Ethical Investment Fund' at the Investment Week Sustainable Investment Awards 2015.

What are you most excited about seeing develop in 2016 and beyond?

I am excited to see our younger products within Global Equities mature into proven investment strategies. We are also continuing to build the breadth of our high-capacity global products, which provide significant synergies to our business because we are able to sell a single strategy to investors worldwide. We are also looking forward to further developing our product range by tailoring strategies to shifting client needs. This will include meeting the growing demand for income from an ageing population and exploring the appetite for different forms of absolute return in what is likely to remain an uncertain market.

Global Fixed Income

"There is likely to be more volatility in fixed income in 2016 but this will create opportunities and as an active manager you have to look at that with enthusiasm."

Phil Apel
Head of Fixed Income

Global Fixed Income AUM

Pension partnership

Pension Insurance Corporation, a specialist insurer of defined benefit pension funds, appointed Henderson as its sole external sterling corporate bond manager as part of its "buy-to-hold" strategy under Solvency II regulations, citing Henderson's strong credit skills and client service for its decision. This doubles the mandate with Henderson to £3.2bn.

2015 was a challenging year for fixed income markets, including concerns about Greece, a slowdown in emerging markets, vacillation around interest rate rises by the US Federal Reserve and sharp movements in bond yields and credit spreads. Despite this background, 77% of Henderson's fixed income funds met or exceeded their benchmark over a three year period and the capability succeeded in delivering net inflows of £1.6bn, with AUM closing at £24.8bn.

What differentiates the Henderson Global Fixed Income offering?

I think Henderson's emphasis on solutions and outcome-based capabilities is part of our appeal. Concerns about potentially higher interest rates mean investors want managers with the capability to manage fixed income in a variety of environments. For example, within our Institutional business we saw clients leave some of the more traditional portfolios and rotate into multi-asset credit, diversified credit and absolute return bond portfolios. Having strategically built up expertise in these areas, we have a platform that can meet client needs.

Is client interaction a key part of fixed income?

I would argue that fixed income is one of the more demanding asset classes because it is highly sensitive to macroeconomic factors and clients tend to have quite specific requirements. We seek to accommodate this by working with them to structure portfolios that meet their needs. This can translate into new strategies, as demonstrated by the launch of the £250m Diversified Credit Fund, a global credit strategy that we developed alongside a client's requirements.

What have been the highlights of 2015?

It has been satisfying putting in place vehicles that clients find attractive in a rising rate environment, such as the Diversified Credit Fund and the Short Duration Bond Fund. Even more encouraging is seeing the capabilities we have invested in performing so well. All of our high yield bond funds are outperforming their benchmark since inception. The Multi-Asset Credit strategy celebrated its three year anniversary in July ahead of its performance target, with AUM growing to over £700m, echoing the Euro Corporate Bond Fund, which has grown to £2.4bn in size from its launch just six years ago.

Particularly impressive has been the performance of the Emerging Market Corporate Bond strategy. One year on from its November 2014 launch, it not only outperformed its benchmark but defied the downturn in emerging market debt to deliver a solid positive return. To my mind, this epitomises what we, as active managers, stand for.

Have there been any disappointments?

Our Rates team had been expecting the first US rate rise to occur in September 2015 rather than December and this eroded performance in some portfolios. To be fair, there was a degree of inconsistency in Federal Reserve announcements, which made interpreting their moves more challenging. The Credit Alpha Fund suffered redemptions and we saw money rotate away from more traditional portfolios. However, the breadth of our range meant we were able to capture much of this rotation.

What are you most excited about seeing develop in 2016 and beyond?

I am excited about the Retail Fixed Income franchise, led by John Pattullo and Jenna Barnard. The US-domiciled Strategic Income Fund that they manage gained a 5-star Morningstar rating and trebled in size over the course of 2015 to US$300m. Their established offering in the UK also goes from strength to strength: the Preference & Bond Fund gained a Lipper Fund 3 year award and the Strategic Bond Fund saw net inflows of more than £230m, to reach £1.4bn in AUM.

The acquisition of Perennial Fixed Interest in Australia also provides us with a fixed income presence in the Pan-Asian region, complementing the development of our presence in the US over the last few years. With the existing fixed income hub based in London, we now have local expertise across all three key time zones.

Multi-Asset

“There is a greater appreciation today for something that aims to deliver income while also respecting investors’ need for their capital to be managed effectively.”

Bill McQuaker
Co-Head of Multi-Asset

Multi-Asset AUM

What differentiates the Henderson Multi-Asset team?

Our investment team has one of the broadest remits at Henderson because virtually all asset classes are open to us for investment globally, and we can select from any number of instruments and funds to help achieve our objectives. All inputs to our portfolios must be carefully judged, such that asset allocation decisions, instrument and fund selection, sector themes, and investment style work in harmony. Understanding the interaction between these components and their interplay with macroeconomic forces comes with in-depth knowledge and experience. We think we have one of the best teams in the industry in terms of specialist expertise, complementary skill sets, and home-grown talent.

Whichever fund an investor chooses from our Multi-Asset range, our starting point is always the same: a clear focus on capital protection, with multi-layered risk control. We firmly believe in active management’s ability to add to returns and when we take a view on a particular area of the market, we ensure that it is reflected across the full range of our portfolios through the most appropriate means. Our belief in active management also implies that we are prepared to use externally managed funds when and where appropriate.

What have been the highlights of 2015?

Among this year’s highlights, Henderson’s Multi-Asset strategy celebrated its 10 year milestone. In our industry, long-term tenure is relatively rare: we are proud of our decade-long track record, not just in terms of the levels of returns, but our consistency. The last 12 months have seen a marked variation in market levels and the spread of investment instruments’ performance. We take considerable comfort from the fact we were well positioned to take advantage of these differences. We are especially pleased with our three year numbers, which compete with the best of our peers.

Net flows across the range were down on previous years. In part, this was to be expected given the absence of the Cirilium joint venture, which was sold at the end of 2014, together with the decision by the Optimum authorised corporate director to terminate the Optimum range of risk-targeted portfolios. The termination is scheduled for mid-2016 and was communicated to clients in mid-2015 to allow time for them to make alternative arrangements.

As the use and prominence of alternatives have risen over the last 10 years, building the team’s capability in this area has been crucial. This year, we completed the implementation of our plan to strengthen and consolidate our Multi-Asset Alternatives strategy. We gained shareholder approval to rename the Henderson Value Trust to the Henderson Alternative Strategies Trust, to better reflect the changes to the company implemented since taking over the mandate from SVM in April 2013. In the Institutional space, we are also now able to offer our clients a compelling open-ended strategy – investing in closed-ended investment trusts and investment companies – via the Henderson Diversified Alternatives Fund.

What are you most excited about seeing develop in 2016 and beyond?

In Retail, we anticipate that demand for income funds will only continue given a backdrop of ‘lower for longer’ interest rates. The recent changes in UK pension regulations and the move away from mandatory annuities have opened up many more choices for those approaching retirement and we have been mindful to respond to their needs. Understanding investors’ attitude to risk, their capacity for loss and assessing the suitability of products have also become increasingly important since the financial crisis and following the UK’s Retail Distribution Review.

With these things in mind, we were one of the first in the market to launch lower cost, risk-targeted, multi-asset funds with a competitive income bias, as part of our ‘Core’ range for the UK marketplace. These recognise the greater appreciation today for something that aims to deliver income while also respecting investors’ need for their capital to be managed effectively. We have thus far protected our clients from the extremes of volatility, and feel confident about rising to the challenges presented by diverging central bank policies as an unprecedented era for financial history nears its denouement.

Alternatives

Alternatives AUM

Interest in Alternatives continues to grow as investors seek to add diversification to traditional long equity and bond portfolios. Henderson manages a number of alternative strategies, including equity long/short, commercial property, absolute return credit, commodities and liquidity risk premium, and it is an area we have developed in recent years. In fact, our breadth of offering was seen as a key consideration in the judging for the 2015 Australian Hedge Fund Awards, in which Henderson won 'Best offshore manager operating in Australia'.

Absolute return equity

Henderson has a strong heritage in absolute return strategies, bolstered by the Gartmore acquisition in 2011, when several managers with established long/short expertise became part of Henderson. During the course of 2015, the UK Absolute Return strategy proved particularly popular with investors. The strategy seeks to deliver positive returns in all market conditions. Assets grew by £2bn to £3.8bn in response to investor uncertainty about the prospects for equities, a reaction to the low returns on cash and bonds, and a desire to diversify portfolios. High levels of stock price dispersion presented the managers, Ben Wallace and Luke Newman, with opportunities to add value through the use of both long and short positions (positions that profit if securities fall in price). The approach showed its worth, delivering steady and positive returns against a backdrop of volatile and falling markets. This consistency in performance contributed to the UK-registered Henderson UK Absolute Return Fund winning 'Best Absolute Return Fund' at Investment Week's 2015 Fund Manager of the Year Awards in London.

UK commercial property

The HUKPOEIC was the best-selling property fund in the UK in 2015 as investor flows into the UK commercial property sector remained robust, driven by demand for income-yielding assets. Organic growth, combined with the successful merger of the Old Mutual property fund into HUKPOEIC in the first quarter, led to the fund's AUM rising from £2.6bn to more than £4bn by the end of 2015.

Henderson's direct property division transferred to TH Real Estate in April 2014 as part of the joint venture between Henderson and TIAA-CREF. In April 2015, Henderson announced the sale of its 40% stake in TH Real Estate to TIAA-CREF. The Property team, which manages the HUKPOEIC through a sub-advisory agreement, made several additional hires and remains supported by TH Real Estate's extensive property investment business, situated in the same London offices as Henderson. The HUKPOEIC remains an integral part of Henderson's fund range and continues to be marketed and distributed by Henderson.

Commodities

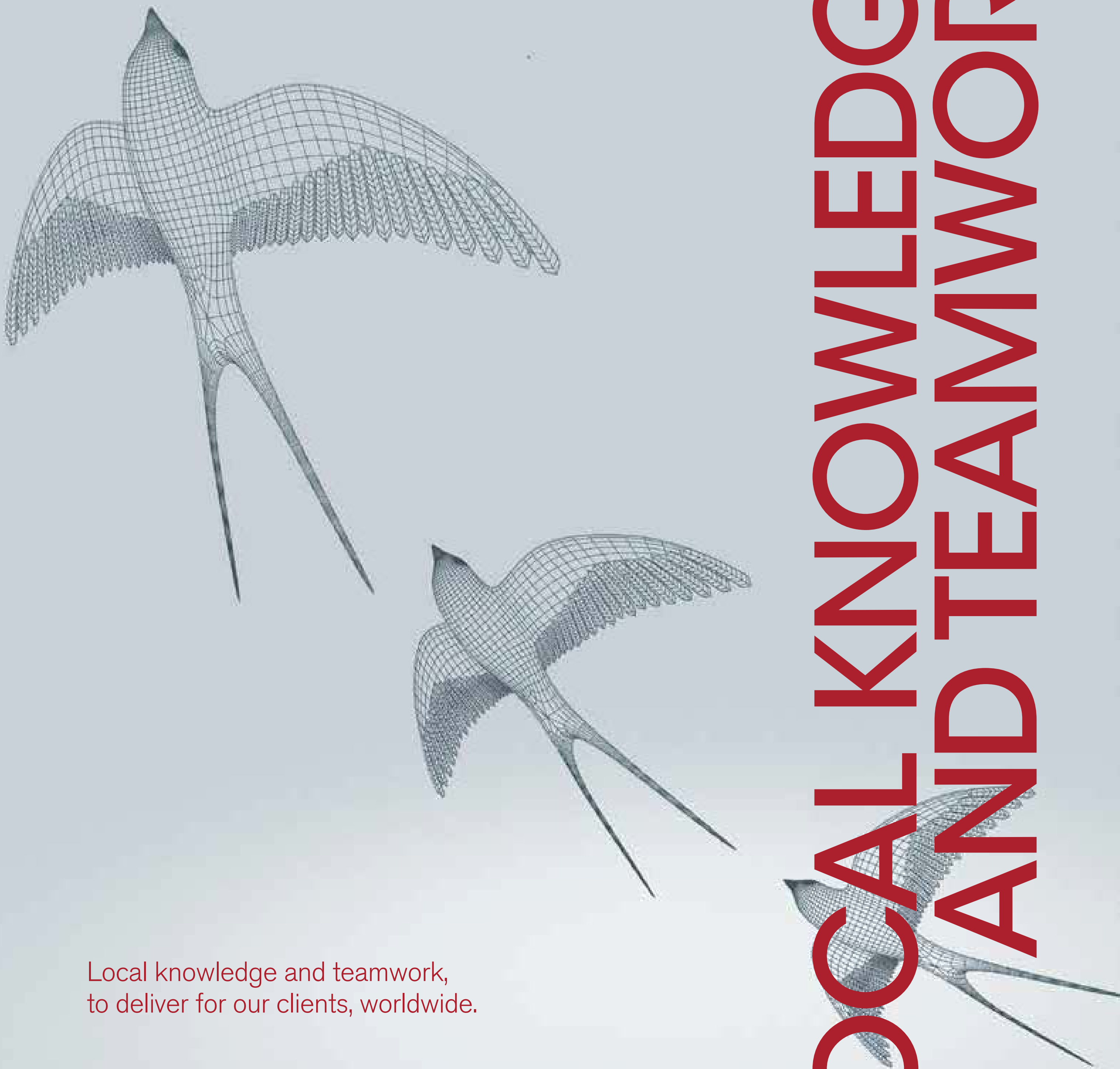
Sharp falls in commodity prices in 2015 and distress among companies within the sector might not seem like an auspicious backdrop for commodity investment. However, our investment managers in Agriculture managed not only to protect clients' capital but to generate positive returns in 2015 as a result of effective risk management and the team utilising the full range of exposures to position their portfolios short in a falling market. AUM in the Agriculture funds rose as a result of performance gains and net inflows from investors. The team expanded with the recruitment of a dedicated sugar analyst.

In Commodities (enhanced strategies), the team also delivered by producing incremental outperformance to a benchmark that was substantially down. Clients demonstrated their faith in the team by rebalancing into this strategy, with substantial inflows that offset the market-driven fall. The team also developed a new quantitative long/short futures strategy and positive early results mean this capability has potential to emerge as a new standalone product. Taken together, assets in the Agriculture and Commodities business closed 2015 at US$1.1bn, a rise of 13% on a year earlier.

"With investors generally cautious on market direction, absolute return investing has become increasingly broad in its appeal, due to its ability to profit in both rising and falling markets and its focus on risk control."

Luke Newman
Investment Manager

LOCAL KNOWLEDGE AND TEAMWORK



Local knowledge and teamwork,
to deliver for our clients, worldwide.

Client relationships and brand

Distribution has a pivotal role to play in delivering on the Henderson mission. Last year, we outlined the importance of putting our clients' needs at the heart of everything we do. In 2015, we made progress against this goal.

For us, the focus is on excellence in client service and the establishment of long-standing relationships built upon trust.

The highlights of the year for me were based around two key areas. First, our ability to meet or exceed our clients' expectations, and second, developments at a corporate level that allowed us to reach more clients on a global scale.

Meeting client expectations

Investment performance is central to meeting client expectations but increasingly the service that groups provide alongside this is a key competitive differentiator. At Henderson, this means providing ongoing support to clients in terms of updates on the funds and mandates in which they invest. It also involves maintaining a dialogue to properly understand our clients' needs and offering product solutions and education at the appropriate levels.

As I noted last year, our target market is increasingly sophisticated in its approach to fund selection. To meet the needs of selectors, the emphasis therefore needs to be on providing transparency of approach, information-rich updates and access to genuine investment insight from fund managers. This approach is encapsulated in our *Knowledge. Shared* brand proposition. The fair treatment of customers is embedded in our business model and our ongoing engagement programme helps us understand how these needs are evolving and how we can communicate in the most appropriate ways. In 2015, the means of communication turned increasingly to digital channels, allowing us to tailor updates to investor needs and enable our managers' thoughts to reach clients in the most efficient and timely manner possible.

> **"Traditional marketing is increasingly being replaced by thought leadership. People buy people. The market doesn't want product push – it wants genuine insight from investment experts at the top of their game. *Knowledge. Shared* speaks to this need."**
>
> **Gurjit Dehl**
> Senior Vice President, Redington Investment Consultants

Broadening our global reach

The second highlight for me has been the significant progress in the broadening of Henderson's global reach. This has included establishing new distribution platforms in the US, Latin America and Australia, and further building upon relationships in the UK, Continental Europe and Asia.

In the US, where we have an established and successful Retail presence, 2015 was notable for the build out of our Institutional capability. We manage products naturally suited to this marketplace, and are now beginning to create the distribution platform that will provide broader access. Milwaukee-based Henderson Geneva Capital Management, which we acquired in 2014, has been managing institutional US equity mandates for more than 20 years and provides additional distribution opportunities in this space. We also now have a team dedicated to the US offshore market where we see strong potential. With a number of products in our US mutual fund range approaching meaningful track record milestones and achieving Morningstar ratings, we will further diversify our offering across the Retail and Institutional space.

2015 also saw notable success in expanding our reach within Latin America. Here, we continue to build strong relationships with local pension funds and fund selectors, particularly in Chile, Peru, Colombia and Mexico. Key investment strategies in this region have been those from our European Equities and Absolute Return teams. We also further enlarged our footprint in Australia with additions to the distribution team and the acquisitions of Perennial Fixed Interest and Perennial Growth Management. These acquisitions not only strengthen the investment management function by bringing domestic expertise to complement our global offerings, but also enhance our distribution reach.

In our more established markets of the UK, Continental Europe and Asia, we also made progress. Of note was our push into the Italian retail market to complement our presence with fund selectors; significant inflows from Iberia; and the strengthening of established relationships with distributors and fund selectors in the UK, Switzerland and Germany. In the UK, we continued to run a number of high-profile roadshows and events to support our advisory clients, with notable interest around UK commercial property, our Retail Fixed Income team, and our UK Absolute Return Fund. On the Institutional side, we saw strong interest in our multi-sector fixed income capabilities and tailored strategies to meet the evolving needs of a number of large pension fund clients. Our closed-ended investment trust business in the UK also had a strong 2015, taking two prestigious 'Investment Trust Group of the Year' awards and numerous accolades at an individual product level.

I take pride in the quality of our Distribution team globally and it is on our ability to meet or exceed client expectations and the relationships we build that I judge our success. It was therefore pleasing in 2015 to see our focus externally recognised with Investment Week naming Henderson its 'Global Group of the Year', while at the Australia Hedge Fund Awards we were named 'Best offshore manager operating in Australia'. These third party endorsements are supported by the anecdotal feedback we receive from individual clients and we will strive to continue to evolve the service we provide.

What have been the key changes in Distribution through 2015?

One of the main changes has been the introduction of new regulations. These changes impact the investment management and advice framework globally and have led many of our clients to completely reshape their business models. At a distribution level, we need to move quickly and adapt to meet the shifting needs of our clients – this means staying at the forefront of new regulations and working in partnerships to understand how new advice requirements will be interpreted and implemented. In this area, we see ourselves as a strategic partner rather than simply a product provider, and have taken part in numerous discussions both with client groups and industry peers to prepare for the road ahead.

Many of our global distribution partners are tightening their focus on the range of products they offer investors and adopting a best of breed approach. This means working with a smaller number of asset management groups and selecting only the best and most scalable products to recommend. This move towards a 'winner takes most' environment emphasises the need to establish and maintain strong relationships and high levels of client service. The groups with which we have these relationships tell us the key differentiators for them include our strength of performance, genuine active management approach, brand proposition and client-centric ethos. It is these strong foundations that we hope will allow us to evolve and adapt as regulations continue to reshape the distribution landscape.

How aligned is Henderson's distribution model with client needs?

The lines between the needs of different client types are becoming increasingly blurred. No longer is there a clear divide between how funds are selected in the Retail and Institutional space and nor are there clear differences any more between distribution models in different countries. Clients are becoming ever more sophisticated in their thinking and are adopting best practice in fund selection regardless of location.

'Institutionalisation' and globalisation

This move up the sophistication spectrum, or 'institutionalisation' of the buying process, suits Henderson's approach. Our investment teams follow clearly defined processes, their investment decisions are subject to careful monitoring and checks by our independent Risk team, and we strive for high levels of transparency and reporting – all factors expected by institutional-level clients.

The globalisation process can also be used to our advantage. Global distributors continue to broaden their reach and are introducing similar buying processes and investment patterns the world over. This means the number of key decision-makers globally is reducing and their influence increasing. Henderson has the advantage of having a product suite with global products that are reaching maturity and appropriate for this wider market. Our relationships with representatives of many of the global distributors within our established European markets also stand us in good stead to build upon these on a global basis.

Tailored approach

Of course, we recognise that differences remain around the needs of clients. We therefore split our global distribution focus broadly by Institutional and Retail, with the latter made up of advisory and fund selector clients. In certain markets, such as the UK, we service end investors but predominantly we seek to work with professional investors. This client-type focus resulted in our marketing function in Europe being restructured in 2015 to operate on a Pan European basis. While groups traditionally split the function based on a UK and Europe ex-UK focus, our restructure acknowledges that the needs of fund selectors and advisers have a high degree of commonality regardless of location.

While we seek to leverage our global model where possible, we also recognise the importance of tailoring the service we offer to the needs of clients in different regions. For this reason, we maintain a local presence in many of the markets in which we operate and provide material that takes into account local customs, preferences and language needs. While we believe the impact of investment trends and market drivers have implications across all markets and our manager insight should be shared as widely as possible, we seek to deliver this content in the most appropriate format.

How does Distribution ensure the products offered are well suited to Henderson's clients?

Henderson's Global Product team sits within Distribution. This team maintains oversight of the broad range of products we offer, including locally domiciled pooled funds in the US, the UK, Luxembourg, Japan, Singapore and Australia, hedge funds, managed accounts, segregated mandates and closed-ended vehicles.

The team provides governance for all funds and strategies, and gauges the suitability of new offerings as well as ensuring that existing products remain suited to the clients to which they are marketed. During the past year, the focus has been on ensuring recently launched strategies have developed as expected. It has also been on addressing any areas of underperformance. In 2015, in line with Henderson's Global Product strategy, we saw Glen Finegan's arrival to rebuild our Global Emerging Markets team, made changes to our Japanese Equity and China teams, further strengthened our Emerging Market Credit team, oversaw Henderson Geneva Capital Management taking over management of US equity strategies and launched a new Pan European Dividend fund. The changes made to existing funds and the early signs from recently launched products are encouraging and will be strategically important to us in the medium and longer term.

At Henderson, we are fortunate in having a broad range of products with widespread strength in performance. However, in order to be successful, we have to select those products for promotion that we think are most suitable for clients at the relevant point in the economic cycle. To this end, we operate a global Product Prioritisation group that classifies all funds according to their relevance to clients, suitability to future market conditions and commercial appeal. The Product Prioritisation group reviews market intelligence and trends, listens to our investment experts and takes input on client needs through our global sales heads. The resulting prioritisation of products helps set the focus of our sales teams and provides a framework for client communications and events. We believe that in a 'winner takes most' environment, we need to coordinate our distribution approach globally and focus on the products with the strongest and longest lasting appeal.

Making brand a benefit not a cost

Last year's annual report explained our decision to rebrand and the benefits we were hoping to gain by doing so. Not only did we update our visual identity, we also sought to position Henderson as a modern, high-quality, global asset manager. In 2014, Andrew Formica spoke about Henderson's strategy of growth and globalisation and to support this we launched the brand proposition *Knowledge. Shared*. Throughout 2015, we focused on delivering this to our clients and distribution partners around the world as we seek to build and strengthen trusted relationships.

Our main focus has been to leverage Henderson's deep pool of intellectual capital to deliver investment thought leadership and transparency to our clients in the most efficient way possible. This is embodied in the investment insight we seek to deliver. Creating the content is one thing, delivering it to clients in the format that best suits their needs is another. For us, digital media present tremendous opportunities to gain competitive advantage by giving our clients what they want, when they want it.

> **"What our clients say to us is as important as what we say to them."**
>
> **Rob Page**
> Global Head of Marketing

Knowledge. Shared in practice

Knowledge. Shared was designed to be a client-led brand proposition providing investment insight, thought leadership and transparency to our clients wherever they may be. We have continued to capitalise on Henderson's intellectual capital by delivering quality content in a timely and highly cost efficient way through the use of digital media.

During the Greek crisis, for example, thought leadership from Henderson was the leading voice, driving significant traffic to our website. It underlined that clients do value and reward quality content, as Henderson was the top four of 1,180,000 search results on Google for Greece fund manager reaction.

> **We deal with an ever growing quantity of information and this makes timely and accurate reporting from clients like Henderson increasingly important. This is addressed by the *Knowledge. Shared* approach.”**
>
> **Helen Marino**
>
> Fund Selector – European Equities and Fund Manager – Multi-Manager, Caixabank Asset Management

In 2015, we further developed our award-winning digital platform, enabling us to share our knowledge with our clients wherever they may be.

A brand built with our clients, for our clients

Our approach to communicating with clients is simple; we listen to our clients and endeavour to deliver what they want, when they want it. This process of continuous improvement has focused our thinking and has been recognised across the board through a myriad of awards and, more importantly, exceptionally strong client feedback.

We were delighted to see *Knowledge. Shared* recognised through several high-profile awards in 2015. Of particular significance was the award for ‘Best Brand and Proposition Development’ from Incisive Media, one of the most prestigious marketing awards across the European fund management industry. The judging panel comprised senior clients, industry commentators and leading brand specialists across the global asset management sector. This major award was particularly pleasing because Lawrence Gosling, chairman of judges, captured the essence of *Knowledge. Shared* in his closing comments.

> **Our winner in this category developed a campaign based on education and the sharing of knowledge. The judges were extremely taken by the open approach, the quality of materials off and on line, and the core idea which spoke of transparency and a genuine collegiate approach – helping to position the brand clearly without relying on transient performance claims.”**
>
> **Lawrence Gosling**
>
> Incisive Media

> **In my 30 years in the business, I have never seen a company that produces high quality marketing materials as consistently as Henderson.”**
>
> **Lawrence Andrews**
>
> Senior Vice President, RBC Wealth Management

Thinking outside the box

As well as making our 200+ investment professionals’ views heard, we have invested in several other properties to develop *Knowledge. Shared.* This includes UK Financial Adviser training through our Continuous Professional Development programme, which provides accredited education and thought leadership on investment topics via a variety of events, workshops and webcasts, and also consumer education.

The Henderson Global Dividend Index (HGDI) was one of our major thought leadership initiatives launched in 2014. A proprietary study of the top 1,000 dividend payers, it has helped us to build a global brand that is recognised for its income expertise. HGDI has also dramatically increased our global press coverage and, combined with broad uptake of the views of our income investment experts, it has delivered advertising coverage equivalent to nearly double our traditional global marketing budget. This typifies our approach to maximising marketing spend for the benefit of clients.

Investment Week Investment Marketing and Innovation Awards 2015 – WINNER

aic BEST WEBSITE

ADVISER ONLINE SERVICE AWARDS ★★★★★

STAR awards

Our people: our greatest asset

Last year, we said that our people are set apart by their dedication to working together, across the globe, to provide an excellent service to our clients. As we expanded our business this year, what changed?

In 2015, as we became more global, we built out our culture of collaboration, with clients at the centre of everything we do.

Focusing on talent development and succession

As a relationship business, people are our most important asset. In 2015, the People Strategy for Henderson focused on ensuring that we continue to attract, develop and retain talent across all of our business areas.

We have placed renewed emphasis on our learning and development curricula in each region to align the offering with our business objectives and build a strong and knowledgeable workforce. Our management training has been redeveloped to add further focus on global mind set, and we continue to update our training options to meet our people's requirements to ensure constant upskilling. We launched *Knowledge. Shared* seminars to encourage thought leadership and foster our brand promise internally as well as externally.

Employee training attendance

498 **courses attended by employees**

(2014: 330)

Succession planning has also been a key priority for 2015, with business areas working to understand how to develop their top talent for the longer term. We have built our skills in the areas of assurance and controls by adding new hires in both the first and second lines of defence, thereby ensuring we are well placed to respond to increasingly complex regulatory requirements.

To support talent development, we initiated a number of successful global assignments in 2015, with employees from different regions undertaking projects and roles in another location. These global mobility moves are critical to sharing knowledge, embedding our culture in new locations and increasing collaboration and understanding.

2015 also saw the acceleration of our Australian growth plans with the acquisition of Perennial Fixed Interest, Perennial Growth Management and 90 West. These acquisitions significantly extend Henderson's offering to Australian clients, and employees from across the globe worked in collaboration to bring these projects to a successful conclusion.

We also furthered our commitment to supporting our employees' health and wellbeing, and not simply providing support for individuals in their immediate role. As we continue to grow, it is paramount that we support our employees to succeed in all areas of their professional and personal lives in order to retain our talent.

As we outline in the Corporate Responsibility section later, we held our first series of Wellbeing events in our London and US offices, providing employees with opportunities to learn more on a range of subjects such as nutrition, exercise and mental wellbeing.

In addition to this, our Share Plans team continued to develop our employee financial education programme in the UK, with a global launch planned for 2016. Through a series of events and seminars, employees were provided information on a wide range of financial planning topics such as retirement planning and tax obligations. As a result, Henderson was awarded the ifs ProShare award for 'Best Financial Education' initiative for employees.

Remuneration

We continue to operate a Remuneration Strategy that recognises and rewards successful performance and behaviours that align to our guiding principles. A central component of this strategy is employee share ownership, with 92% of our employees being shareholders of the Group. We continue to promote share ownership, and in 2015 the Group was nominated in the ifs ProShare awards category for 'Best Overall Performance in Fostering Employee Share Ownership'.

Employee Engagement Survey

The results from Henderson's 2014 Employee Engagement Survey were well above industry benchmarks and demonstrated that our people understand, and are contributing to, our strategy. The focus for 2015 was on maintaining these strong engagement levels through increased collaboration, clear decision-making and listening to and acting on feedback. We have reviewed our global benefits and defined clear principles to guide our benefits provision.

As a result, the outcome of our 2015 "pulse check" employee survey showed a two percentage point increase in our overall engagement score since 2014 (87% to 89%). In addition, 97% of employees responded positively to the question 'I care about the future of Henderson', showing the responsibility that employees feel towards Henderson and commitment to its future.

Correspondingly, our retention rates continue to be high, with 17% of current employees having worked at Henderson for 10 years or more.

Length of service

17% **employees for 10 years or more**

(2014: 14%)

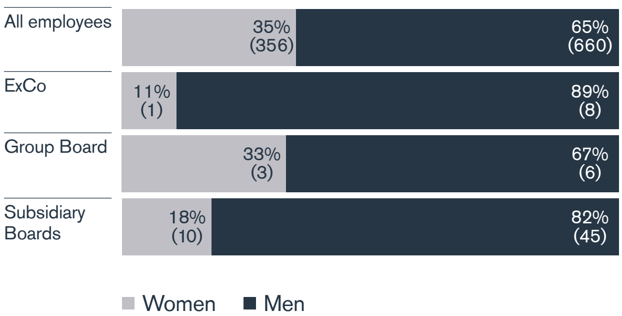
Diversity and inclusion

Building a global culture means ensuring that as an organisation, we value difference, embrace diversity and are representative of the clients that we serve across the globe. Henderson's Diversity and Inclusion Committee has developed Henderson's approach to diversity, including a global roll out of unconscious bias training, developing our approach to more flexible ways of working and improving diversity in our recruitment.

We have also piloted maternity coaching in the UK for female employees who are either due to embark on a period of maternity leave or who have recently returned from a period of maternity leave. Many of our peers run similar programmes and have seen significant improvement in their ability to retain female talent after a period of maternity leave. Initial feedback from participants has been encouraging that a similar impact can be realised at Henderson.

We continued to invest heavily in our Trainee Programme, part of the industry wide Investment 2020 initiative, for which Andrew Formica recently accepted the Financial News Editor's Choice Award for Henderson's role in its establishment. This commitment to attracting diverse entry-level talent will facilitate the development of our global approach and ensure that we are constantly innovating and bringing fresh ideas to our clients.

Gender diversity



Priorities in 2016

Our People Strategy for 2016 will continue to focus on supporting the business to deliver excellent performance and service to our clients as we continue to diversify, grow and globalise. The Human Resources team itself has undergone a period of transformation to strengthen the function, increase its skills base, and provide better global support to our business. Capitalising on these changes will mean that we are further aligned with both managers and employees to deliver on our strategy.

Corporate responsibility

Last year, we noted our commitment to act responsibly, not only in the way we invest and engage with our clients, but also in terms of supporting our people, managing our impact on the environment and contributing to the communities of which we are part.

Roger Thompson
Chief Financial Officer

Corporate responsibility (CR) has intrinsic value to Henderson.

It is important to our clients, shareholders and employees that we engage in activities that benefit society as well as benefiting the Company. This not only builds trust and enhances our brand, but there is also evidence of a correlation between good governance and strong performance. We believe businesses that think strategically about environmental and social risks, and that are governed well, stand more chance of generating and preserving value for shareholders over the long term.

How are your CR initiatives linked to the corporate strategy?

In order to make our CR strategy effective, we believe it must be integrated with our key business objectives and have measurable outcomes. We focus our CR programme on the following five pillars, each of which is integral to delivering on our strategy of growth and globalisation:

Responsible Investment: Active investment management is our core business, and our mission is to be a trusted global asset manager. We believe that following the principles of good stewardship and responsible investment will not only retain the trust of our stakeholders, but will help deliver better investment outcomes over the long term.

Clients: Our mission is focused on delivering excellent performance and service to our clients. Our philosophy is to put clients' needs at the heart of everything we do. Embedding a client-centric attitude across our global business instinctively forms a central theme of our CR programme.

Environment: Environmental sustainability is both a moral and a commercial imperative. Climate change has become a major investment issue – the 2015 UN Climate Change Conference in Paris highlighted the risks and opportunities that this presents to the asset management industry. Experience also shows that managing our environmental footprint often goes hand-in-hand with our strategic priority to operate efficiently.

Community: Making a positive contribution to the communities in which we operate is important as we continue to globalise our business. Engaging with local communities will both support the development of our corporate culture and, externally, our brand worldwide.

People: Our people are our key resource, and we must look after them as proactively and carefully as we do our clients' assets. Attraction and retention of a high quality workforce are an essential component in delivering our business strategy.

What progress have you made and what are your priorities going forward?

Henderson's record on CR remains strong. In 2015, we were identified as one of the most sustainable businesses within our industry sector in the Dow Jones Sustainability Index for Europe. We share above the logos of some of the organisations which have assessed, accredited or endorsed Henderson's CR initiatives over the last year.

To align with our corporate strategy, we have committed to a series of objectives that either complement or enable our five year plan of growth and globalisation. Each of our five pillars now includes a target which we aim to reach by 2018.

Responsible Investment

Aims and objectives

Henderson is committed to the principles of good stewardship and responsible investment, and to being a positive influence on the companies we invest in. We believe integrating Environmental, Social and Governance (ESG) issues into our investment decision-making and ownership practices will help deliver better investment outcomes for our clients.

We aim to ensure that our approach to responsible investment is a positive differentiator for Henderson as we seek to grow and globalise the business. We plan to accomplish this by delivering the following commitments by 2018:

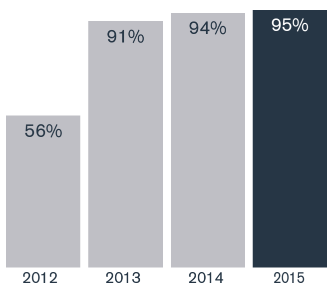
- To have investment solutions that meet and anticipate the growing client interest in responsible investment
- To ensure that, where consistent with the underlying investment process, investment teams in all geographies are able to meet the responsible investment requirements of the most advanced asset owners
- To ensure all investment and client facing staff can fully articulate the Henderson approach to responsible investment and where relevant, the team-specific approach
- To monitor and report on each investment area's approach to responsible investment
- To maintain top-quartile performance for Henderson as a whole in external responsible investment assessments and surveys such as the UNPRI.

Progress in 2015

- Significant increase in the use of the Research Hub, capturing company engagement activity across investment teams
- Raised awareness of ESG issues across the business through increasing the number of seminars/training sessions on topics such as climate change
- Integration of TruCost carbon emissions data into ESG investment risk reports. These reports show the carbon footprint of funds relative to the benchmark and identify the largest contributors
- Significant progress has been made in developing the approach to ESG integration within our Fixed Income business
- In line with our commitment to collaborative engagement, we joined the Investor Forum, an initiative which seeks to facilitate collective shareholder engagement with the largest UK companies

Henderson's voting record

95%



Clients

Aims and objectives

Client engagement is a central theme of Henderson's CR programme. We are committed to meeting the expectations of our clients and to ensuring the fair treatment of customers is fully integrated into our business model.

We aim to establish Henderson as an industry leader in embedding the needs of our clients and their customers at the heart of everything we do. Progress will be measured by:

- Surveying global staff attitudes to customer issues
- Tracking customer satisfaction in major client channels
- Taking leadership roles in client-focused industry fora
- Early adoption of appropriate industry and regulatory initiatives.

Progress in 2015

There has been a continued focus on embedding a client-centric attitude across our global business.

- Customer governance procedures have been established in our offices worldwide; local Customer Champions escalate customer issues to regional senior management as well as to the London-based Customer Interests and TCF Committee, a delegated sub-committee of the ExCo
- The annual Customer Interests Staff Survey was extended from the UK to global offices for the first time. A high global participation rate showed excellent engagement by staff
- Customer satisfaction studies were carried out for the first time with our customers in the US to complement established studies within UK Retail and EMEA Institutional
- Henderson is also a supporter of the Investment Association's Statement of Principles for Investment Managers. These 10 principles represent a culture of excellence for investment managers in helping clients succeed in achieving their financial goals

Monitoring performance

Customer Interests Staff Survey

- 2015: participation rate 84% (2014 (UK only): 71%)

Customer satisfaction studies

We undertake focused customer satisfaction studies to better understand our customers' needs.

UK Retail

- 2015: Grant Thornton/IFDS Customer Call Satisfaction Score 95.9/100 (2014: 81.7/100)
- 2015: IFDS Investor in Customers rating: ★★★ Exceptional (2014: ★★★ Exceptional)

EMEA Institutional

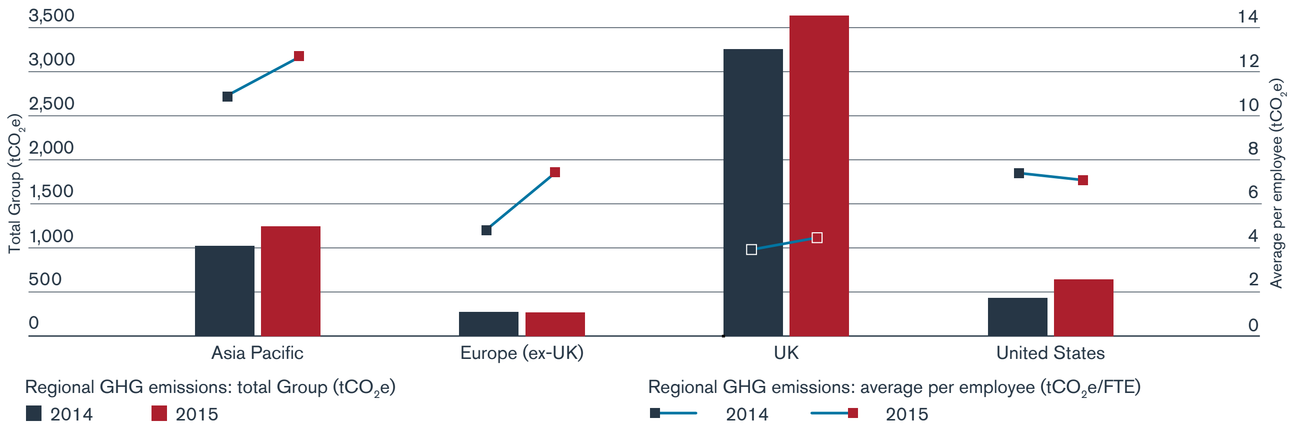
- 2014: Client experience rated as above average or excellent 98% (Next survey 2016)

US Wholesale

- 2015: Client experience rated satisfied, quite satisfied or very satisfied 91% (2014: n/a)

Environment

GHG emissions by region and per employee (tCO_2e)



Aims and objectives

Henderson understands the crucial role that a business must play in managing and mitigating its environmental impact. This is a significant factor when considering how we invest and we believe it is important that we lead by example.

We recognise the significance of climate change and aim to grow and globalise our business without increasing our net impact on the environment. We plan to accomplish this by delivering the following commitments by 2018:

- To offset any unavoidable CO_2 emissions for the operations of our global office network and business travel
- To maintain a CDP score in the top quartile of the FTSE 350 and the ASX 200
- To reduce GHG emissions by 15% by region per FTE over the next three year period (2016-2018).

Progress in 2015

This year, we celebrated our 10th anniversary as a certified CarbonNeutral® business. During this period, Henderson has completely offset its unavoidable carbon emissions. This means that for every tCO_2e we produced, we have invested in a voluntary carbon reduction project saving an equivalent amount.

Over 25,000 tCO_2e offset since 2005

This is particularly poignant in the light of the 2015 Paris climate agreement, which if it is to achieve its aims, will require a drastic reduction in global carbon emissions over the coming decades. Henderson welcomed the agreement, which will help establish investor certainty, and encourage investment to flow towards a low carbon and sustainable future.

The transition to a low carbon economy will involve enormous investment disruption. Spotting this disruption and allocating our clients' capital appropriately are what Henderson's business of active investment management is all about. Our strategy has been to raise awareness of the impact that climate change, and in particular increased regulation on carbon emissions, can have on investment portfolios.

Our dedicated Governance & Responsible Investment team provides carbon risk reports and engages extensively with fund managers, as well as ensuring that the Risk team is factoring it into the fund managers' risk review process. At the same time, Henderson offers top-rated SRI funds with low carbon exposure. The Henderson Global Care Growth Fund is a low carbon fund, which avoids investing in oil, coal and fossil fuel power generation.

CDP ratings

Reporting year	Henderson disclosure percentage	Henderson performance band	FTSE 100 average disclosure percentage/ performance band	FTSE 250 average percentage/ performance band
2015	99	B	94/B	82/D
2014	97	A	85/B	72/C

CDP has recognised Henderson for its continued commitment to exceptional carbon reporting standards by awarding the Company a position on the CDP FTSE 350 Climate Disclosure Leadership Index for the second consecutive year with a disclosure score rising from 97% to 99%.

Our growth and globalisation strategy has resulted in the growth of our unavoidable emissions. However, our focus is to deliver this strategy in the most sustainable way possible, limiting the Company's impact on the environment.

GHG emissions by scope (tCO_2e)

Scope	2015	2014
Scope 1		
Fuel (natural gas)	**–**	12
Scope 2		
Electricity	**2,148**	2,053
Scope 3		
Business travel (air, rail, road)	**3,380**	2,661
Hotels	**218**	218
Business freight (air, road)	**45**	49
Total Scope 3	**3,643**	2,928
Total GHG emissions	**5,800**[1]	4,993
Total per employee	**5.56**	4.82

Note:
1. Figure includes 9.5 tCO_2e from two rented desks in the US.

Community

Aims and objectives

As Henderson grows, it is important to us that we continue to support our employees with their philanthropic activity while also giving back to the local communities in which we operate.

We aim to enhance our core brand proposition *Knowledge. Shared* by focusing our activities on financial education initiatives and employee volunteering. We plan to accomplish this by delivering the following commitments by 2018:

- All offices with over 50 employees to offer a financial education programme within the local community
- Volunteering opportunities and community projects to be integrated into our learning and development programme.

Progress in 2015

- We continued to embed *Knowledge. Shared* into our community engagement strategy through volunteering, financial education days and job preparation sessions
- Henderson supported employees' philanthropic activity by matching employee charity fundraising in the UK and US, and on donations through UK Give As You Earn
- Social mobility and the Henderson Trainee Programme remain of great importance; we continue to provide trainee opportunities through Investment 2020 and expanded the Trainee Programme into the US
- Henderson hosted four RedSTART Financial Education days at our London office and a series of financial education and career preparation days in both Chicago and London
- We continued to contribute to Disaster Emergency Committee appeals, as well as to the Issac Newton Foundation and our long-standing East London charity partner, Community Links
- Our US offices continued their involvement in the annual Hunger Task Force Food Drive and strengthened their relationship with Mercy Homes
- The teaching hospital, Angkor Hospital for Children, was selected as our nominated charity in Asia

Henderson Foundation charitable spend

£175,444

People

Aims and objectives

We are committed to supporting the development and wellbeing of our people, nurturing them just as we do our clients' assets. We achieve this through our inclusive culture, positive work environment and by ensuring equality of opportunity.

From a CR perspective, as Henderson grows it is important that we continue to foster an environment that cares about our employees' wellbeing, provides a platform for indiscriminative career development and makes the relevant training available to support a diverse and global workforce.

We plan to accomplish this by delivering the following commitments by 2018:

- Wellbeing initiatives will be made available to all our global workforce, with at least 50% employee participation
- The career development score in our Employee Engagement Survey to improve by a minimum of 10%.

Progress in 2015

- 2015 Employee Engagement Survey results have shown an improvement in our career development scores, with 61% of employees responding positively to the question 'I know what I have to do to progress my career at Henderson' (up from 57% in 2014)
- 26 internal candidates successfully filled a role vacancy in 2015, demonstrating that Henderson is able to create opportunities and support development for our people
- Excellent feedback was received in the UK and US to the Henderson Wellbeing Fortnights – two-week programmes of events such as exercise classes and seminars by specialist speakers
- Henderson participated in the Britain's Healthiest Company initiative, which aims to help understand the greatest health risks our employees face. We recognise that in a growing business, there are many competing demands and priorities for employees to navigate through. Results of initiatives such as these, together with our global Employee Assistance Programmes, guide action to help manage pressure, reduce absence rates as well as increasing employee engagement
- The Sports, Social & Wellbeing Committee continues to be extremely active, with a number of successful employee sports and social events hosted throughout the year, creating opportunities for employees to improve fitness and network with each other

Monitoring performance

89% **employee engagement** (2014: 87%)

14% above the Financial Services benchmark.

→ The preceding Our People section further outlines the specific initiatives put in place and achievements Henderson has made against its People Strategy.

CORPORATE GOVERNANCE

Contents

Chairman's introduction

Richard Gillingwater
Chairman

We continue to have in place a robust governance framework that underpins and enables us to deliver on our strategy and support our business model.

Dear Shareholder

We have continued to progress along our journey of growth and globalisation as shown not only by the organic growth of our business as explained elsewhere in this report but also by the acquisitions of Perennial Fixed Interest and Perennial Growth Management. Further information can be found on page 9. These acquisitions will accelerate our strategy to grow and globalise our business.

We have in place a robust governance framework that underpins and enables us to deliver on our strategy and support our business model and I hope you find useful the reports from the Chairs of the Audit, Nomination, Remuneration and Board Risk Committees. 2015 has been another challenging year for the Board and I thought it might be useful if we set out a more detailed summary of the matters we considered during the year.

We have signed up to the Investment Association's Statement of Principles for Investment Managers. These 10 principles represent a culture of excellence for investment managers in helping clients succeed in achieving their financial goals.

On the subject of culture, the Board received the results of a culture audit undertaken by KPMG. There were a lot of positives to be taken from the report but there are some areas in which we could do better and a sub-committee of the ExCo is investigating how to implement findings and recommendations.

Henderson operates in a highly and constantly developing regulatory environment. Therefore, a great deal of time has been spent by the Board and the Audit Committee on regulatory matters as we ensure that our Compliance systems are appropriately embedded in the organisation.

I would also like to take the opportunity to welcome Kalpana Desai to the Board. A description of her appointment process is set out in the report from the Nomination Committee.

This Corporate Governance Statement is correct as at 10 February 2016 and has been approved by the Board of Directors.

R. D. Gillingwater

Richard Gillingwater
Chairman
10 February 2016

➔ Our formal compliance statements with an explanation of how we applied the principles of the UK Governance Code and the recommendations set out in the ASX Principles are set out on pages 85 to 88.

Board of Directors and leadership

The Board comprises a Non-Executive Chairman, two Executive Directors and six other Non-Executive Directors.

Left to right: Kevin Dolan, Richard Gillingwater, Andrew Formica, Kalpana Desai, Robert Jeens, Roger Thompson, Sarah Arkle, Angela Seymour-Jackson and Tim How

Richard Gillingwater
Chairman of the Board and Chairman of the Nomination Committee

Experience:
Mr Gillingwater was Dean of Cass Business School until 2013. Prior to this he spent 10 years at Kleinwort Benson, before moving to BZW and, in due course, becoming joint Head of Corporate Finance and then latterly Chairman of European Investment Banking at Credit Suisse First Boston. He was Chief Executive and later Chairman of the Shareholder Executive, Chairman of CDC Group plc and has also been a Non-Executive Director of P&O, Debenhams, Tomkins, Qinetiq Group and Kidde. Mr Gillingwater resigned as Senior Independent Director of Hiscox Ltd on 20 May 2015 and as a Non-Executive Director of Wm Morrison Supermarkets Plc with effect from 4 June 2015.

Term of office[1]:
Non-Executive Director since February 2013 and appointed as Chairman following the AGM in May 2013. Current three year term of office expires in February 2019.

External appointments and significant commitments:
Currently Chairman of SSE plc and Senior Independent Director of Helical Bar plc.

Committee membership:
- Nomination Committee (Chairman)
- Attends other Committee meetings by invitation

Andrew Formica
Chief Executive

Experience:
Mr Formica has been with the firm and in the fund management industry since 1993. He has held various senior roles with the Group and he has been a member of the Executive Committee since 2004. Prior to being appointed Chief Executive of the Company, he was Joint Managing Director of the Listed Assets business (from September 2006) and was Head of Equities (since September 2004). In the early part of his career, he was an equity manager and analyst for the Group. Mr Formica resigned as a Director of TIAA Henderson Real Estate Limited on 1 June 2015.

Term of office[1]:
Executive Director since November 2008. No fixed term of office.[2]

External appointments:
Senior Independent Director of the Board of The Investment Association. Non-Executive Director of Hammerson plc since 26 November 2015.

Committee membership:
- Attends Committee meetings by invitation

Roger Thompson
Chief Financial Officer

Experience:
Mr Thompson joined Henderson Group from JP Morgan Asset Management where most recently he was Global Chief Operating Officer and was previously Head of UK and, prior to that, International CFO. In his 19 year career at JP Morgan, Mr Thompson held a broad range of roles and worked internationally, spending time in Tokyo, Singapore and Hong Kong. He has wide-ranging asset management experience, both in the UK and internationally.

Term of office[1]:
Executive Director since June 2013. No fixed term of office.[2]

External appointments:
Steering committee member of ICI Global.

Committee membership:
- Attends Committee meetings by invitation

Sarah Arkle
Independent Non-Executive Director and Chair of the Board Risk Committee

Experience:
Ms Arkle has been in the financial services industry for over 33 years. She joined Allied Dunbar Asset Management in 1983 which became Threadneedle in 1994. She was Vice Chairman of Threadneedle until the end of July 2012 and was Chief Investment Officer until December 2010, a role she held for 10 years. She was instrumental in establishing Threadneedle's investment process and recruiting a number of the firm's senior fund managers. Previously, Ms Arkle worked at the Far Eastern stockbroker WI Carr (Overseas) Limited and was an advisor to the South Yorkshire Pension Fund.

Term of office[1]:
Non-Executive Director since September 2012. Current three year term of office expires in September 2018.

External appointments:
Non-Executive Director of Foreign & Colonial Investment Trust plc and a member of the Newnham College, Cambridge Investment Committee. Non-Executive Director of JPMorgan Emerging Markets Investment Trust plc.

Committee membership:
- Board Risk Committee (Chair)
- Audit Committee
- Nomination Committee
- Remuneration Committee

Kalpana Desai
Independent Non-Executive Director

Experience:
Ms Desai has over 25 years of international advisory and investment banking experience, primarily gained in the Asia-Pacific region. Until 2013, Ms Desai was Head of Macquarie Capital Asia, the investment banking division of Macquarie Group Limited, headquartered in Australia. Prior to this, she was Head of the Asia-Pacific Mergers & Acquisitions Group and a Managing Director from 2001 in the investment banking division of Bank of America Merrill Lynch based in Hong Kong, having joined that firm in 1998. Earlier, Ms Desai worked in the corporate finance divisions of Barclays de Zoete Wedd in London and Hong Kong and at J. Henry Schroder Wagg in London, having started her career in the financial services division of Coopers & Lybrand Consulting in London. She was a member of the Takeovers and Mergers Panel of the Securities and Futures Commission in Hong Kong from 2007 to 2014.

External appointments:
Non-Executive Director of Canaccord Genuity Group Inc., headquartered in Canada.

Term of office[1]:
Non-Executive Director since 5 October 2015. Ms Desai's current three year term of office expires in October 2018.

Committee membership:
- Board Risk Committee
- Audit Committee
- Nomination Committee
- Attends Remuneration Committee meetings by invitation

Kevin Dolan

Independent Non-Executive Director

Experience:
Mr Dolan has been in the financial services industry for 36 years and has extensive experience in M&A transactions, both in Europe and the US. Mr Dolan has held various executive positions, including as Chief Executive of the Asset Management Division of Bank of Ireland Group and Chief Executive of Edmond de Rothschild Asset Management. He spent 10 years with the AXA Group where he was Chief Executive Officer of AXA Investment Managers Paris, and Global Deputy Chief Executive Officer of AXA Investment Management. He was Chief Executive of La Fayette Investment Management in London from 2006 until 2009. Mr Dolan has been a Director on a number of boards in Europe and the US, including DLJ and Alliance Capital. Mr Dolan was a Director of Meeschaert Gestion Privée until 2015.

Term of office[1]:
Non-Executive Director since September 2011. Mr Dolan's current three year term of office expires in September 2017.

External appointments:
Founding partner of Anafin LLC and a senior advisor to One Peak Partners.

Committee membership:
- Board Risk Committee
- Nomination Committee
- Remuneration Committee
- Attends Audit Committee meetings by invitation

Tim How

Senior Independent Director and Chairman of the Remuneration Committee

Experience:
Mr How has extensive business experience. He was Chief Executive of Majestic Wine PLC from 1989 until August 2008 and was formerly Managing Director of Bejam Group Plc. He was Chairman of Downing Income VCT 4 Plc until December 2013, Deputy Chairman of the Peabody Trust and Non-Executive Director of Peabody Capital plc until February 2014.

Term of office[1]:
Non-Executive Director since November 2008 and Senior Independent Director since January 2010. Mr How's current term of office expires in November 2016.

External appointments:
Chairman of both Woburn Enterprises Limited and Roys (Wroxham) Ltd. He is also Non-Executive Director of Dixons Carphone plc and Senior Independent Director of the Norfolk and Norwich University Hospitals NHS Foundation Trust.

Committee membership:
- Remuneration Committee (Chairman)
- Audit Committee
- Nomination Committee
- Attends Board Risk Committee meetings by invitation

Robert Jeens

Independent Non-Executive Director and Chairman of the Audit Committee

Experience:
Mr Jeens has extensive experience of financial services, initially as an audit partner in Touche Ross & Co, and subsequently as Finance Director of Kleinwort Benson Group plc and Woolwich plc. His previous Non-Executive Director appointments include the Chairman of nCipher plc and the Deputy Chairman of Hepworth plc. Mr Jeens was a Non-Executive Director of The Royal London Mutual Insurance Society Limited from 2003 to May 2012. Mr Jeens resigned as a Non-Executive Director of TR European Growth Trust PLC in June 2014.

Term of office[1]:
Non-Executive Director since July 2009. Mr Jeens' current term of office expires in July 2016.

External appointments:
Non-Executive Director of JP Morgan Russian Securities plc and Chairman of Allianz Technology Trust plc (previously RCM Technology Trust plc).

Committee membership:
- Audit Committee (Chairman)
- Board Risk Committee
- Nomination Committee
- Attends Remuneration Committee meetings by invitation
- Conflicts of Interest Committee (Chairman)

Angela Seymour-Jackson

Independent Non-Executive Director

Experience:
Ms Seymour-Jackson has over 20 years' experience in retail financial services. She has held various senior marketing and distribution roles in Norwich Union Insurance, General Accident Insurance, CGU plc and Aviva. She was Chief Executive Officer of RAC Motoring Services Limited from 2010 until 2012 and led the sale to Carlyle. She joined Aegon UK in May 2012 and was appointed Managing Director of the Workplace Solutions Division in December 2012.

Term of office[1]:
Non-Executive Director since January 2014. Ms Seymour-Jackson's current three year term of office expires in January 2017.

External appointments:
Non-Executive Director of Rentokil Initial plc and esure Plc.

Committee membership:
- Board Risk Committee
- Nomination Committee
- Remuneration Committee
- Attends Audit Committee meetings by invitation

Notes:

1. If a Non-Executive Director is reappointed after having served six years, such reappointment, and any subsequent reappointment, will normally be for a period of 12 months. Resignations in 2015: None. All Directors' appointments are subject to their retirement by rotation and reappointment by shareholders at the Company's Annual General Meetings.
2. Executive Directors are employed on annual rolling agreements and their service contracts are terminable on 12 months' written notice by the Company or on not less than six months' written notice by the relevant Executive Director.

Independence

Although the Chairman, Richard Gillingwater, met the independence criteria on appointment, the UK Code provides that the test of independence is not appropriate thereafter and does not allow the Chairman to be counted with the independent Non-Executive Directors in determining whether there is an appropriate balance on the Board, which is not the case under the ASX Principles. For the avoidance of doubt, the Chairman considers himself to be both objective and independent but for good order he is not counted with the independent Non-Executive Directors. The Board considers all the other Non-Executive Directors – Sarah Arkle, Kalpana Desai, Kevin Dolan, Tim How, Robert Jeens and Angela Seymour-Jackson – to be independent, as they do not have any interest or business or other relationship which could, or could reasonably be perceived to, interfere materially with their ability to act in the best interests of the Company. We have considered the criteria proposed by the UK Code and the ASX Principles in assessing the independence of the Directors. Materiality, as referred to in the ASX Principles, has been assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. We are satisfied that the independent Non-Executive Directors meet a quantitative materiality threshold for independence, which is that none of them has a relationship with the Group which generates or accounts for more than 5% of the Group's revenue or expenses. Accordingly, the Board (excluding the Chairman) has a majority of Directors who are independent. Tim How is the Senior Independent Director.

Strategy, governance structure and Board business

Strategy
An explanation of the business model and the strategy for delivering the objectives of the Group is set out on page 14.

Strategy day
We dedicated a day to strategy at which the Board received presentations and proposals from management on our progress against strategy, in addition to considering regular strategy updates from management during the year. Some of the Non-Executive Directors also attended the senior management conference held in May 2015. Issues considered at the Strategy Day included:

- Overview of the markets, regulatory, and industry environments ➔ (Read more in the Strategic report on pages 1 to 47)
- Climate Change ➔ (Read more on page 44)
- Capital and Tax Strategy ➔ (Read more on pages 18 to 21)
- Alternatives business ➔ (Read more on page 36)
- Disruptive Innovation.

A number of initiatives identified at the strategy day have been incorporated into the business plan. These are implemented by the ExCo and monitored by the Board during the year.

Board visit to Chicago
All Board and standing Board Committee meetings were held in the UK, except for meetings in Chicago, US, in October 2015. During the visit to the US, the Board met a number of members of our US business in both Chicago and Milwaukee and also received presentations from Henderson Geneva US staff. As part of our continuing desire to improve and challenge we also received an update on the lessons learned from the acquisition of Perennial Fixed Interest and Perennial Growth Management.

Further strategy discussions were also held on:

- Pan-Asia Strategy
- Institutional Business
- Progress against the five year plan ➔ (Read more on pages 14 and 15).

Board business
The Board also considers a number of issues during the year to ensure that the strategy of growth and globalisation can be carried out.

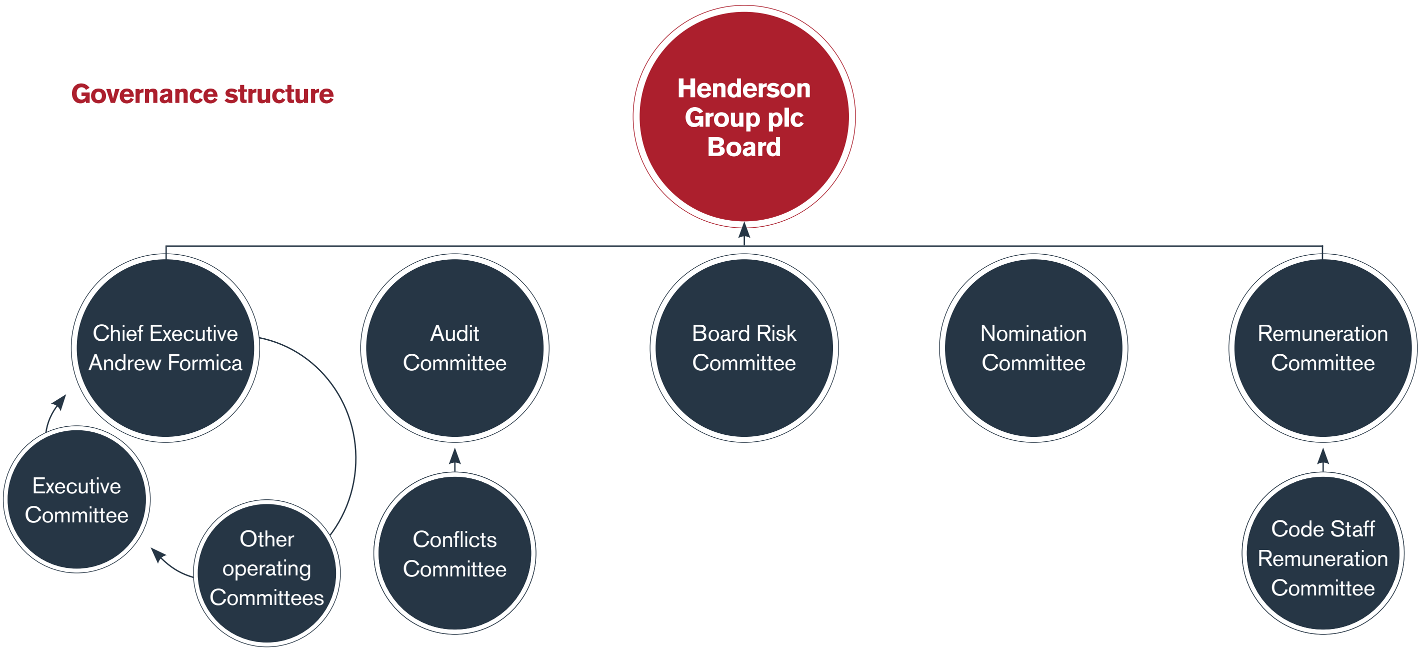
A typical Board agenda is ordered so that the strategic items and projects are considered first. Depending on the importance of the items, either regulatory or finance, capital and budget items be considered next, followed by other business matters. The items that do not require detailed consideration or discussion are set out at the end of the agenda. Where possible, items are grouped together to ensure that the items flow according to topic and management's time is used effectively when presenting. Sessions are usually provided which include training or presentations from the business during days on which Board meetings are held.

➔ A description of how the Board operates, including a high level statement of which types of decisions are taken by the Board and management is set out on page 85 in Role of the Board.

Read the Matters reserved to the Board on our Group website

www.henderson.com/ir

Governance structure



2015 Director attendance at Board and Committee meetings

			Committee meetings attended			
	Date appointed	Board	Audit	Remuneration	Nomination	Board Risk
Richard Gillingwater	06/02/13	10/10	n/a	n/a	4/4	n/a
Kevin Dolan	26/09/11	9/10	n/a	5/5	4/4	4/4
Tim How	28/11/08	10/10	5/5	5/5	4/4	n/a
Robert Jeens	29/07/09	10/10	5/5	n/a	4/4	4/4
Andrew Formica	05/11/08	10/10	n/a	n/a	n/a	n/a
Sarah Arkle	05/09/12	10/10	5/5	5/5	4/4	4/4
Roger Thompson	26/06/13	10/10	n/a	n/a	n/a	n/a
Angela Seymour-Jackson	23/01/14	10/10	n/a	5/5	4/4	4/4
Kalpana Desai	05/10/15	3/3	1/1	n/a	2/2	1/1

Notes:

- All Directors attended 100% of Board and Committee meetings of which they are members, with the exception of Kevin Dolan who was unable to attend one Board meeting.
- Kalpana Desai was appointed to each of the Committees on the following dates: Board on 5 October 2015, Audit Committee on 15 October 2015, Board Risk Committee on 15 October 2015 and Nomination Committee on 15 October 2015.

An overview of the topics addressed by the Board in 2015

January

- Acquisition of Perennial Fixed Interest, Perennial Growth Management and 90 West
- Sale of Remaining Stake in TH Real Estate
- Exit of Infrastructure Fund Interest in John Laing plc

February

- Acquisition of Perennial Fixed Interest, Perennial Growth Management and 90 West
- Sale of Remaining 40% Stake in TH Real Estate
- Exit of Infrastructure Fund Interest in John Laing plc
- Update on Regulatory Capital
- Board Evaluation Update
- Monthly Performance Report
- Share Plan Issuance Programme
- Results of Employee Engagement Survey
- Annual Report and Full Year Results
- Final Dividend for 2014
- Notice of 2015 AGM
- Update on FCA Matters

April

- Impact of the Acquisition of Perennial Fixed Interest and Perennial Growth Management on Asian Business
- Update on Acquisition of Remaining Stake in 90 West
- Update on EBA Remuneration Guidelines
- 2015 Re-forecast
- Monthly Performance Report
- Insurance Renewal
- Treating Customers Fairly
- Retail Customer Interests Project Implementation Report
- Update on FCA Matters

June

- Board Strategy Day
- Share Buyback Mechanics and Considerations
- Interim Dividend for 2015
- Monthly Performance Report
- Update on FCA Matters

July

- Meeting with the FCA
- Update on the Finance Platform Programme
- Investment Association Statement of Principles for Investment Managers
- Appointment of Kalpana Desai subject to FCA Approval
- Approval of Group Tax Policy
- Monthly Performance Report
- Delegations of Authority
- Share Buyback
- 2015 Interim Results
- Interim Dividend for 2015
- Treating Customers Fairly
- Update on FCA Matters

October

- Pan-Asia Strategy
- Institutional Update
- Board Strategy Discussion
- Draft 2016 Budget and Review of Strategic Initiatives
- Lessons Learned from the Acquisition of Perennial Fixed Interest, Perennial Growth Management
- Culture Audit
- Monthly Performance Report
- Treating Customers Fairly
- Review of Non-Executive Director Fees
- Update on FCA Matters

December

- 2016 Budget and Five Year Strategic Plan
- 2016 Dividend
- Revolving Credit Facility
- Review of Corporate Governance Arrangements
- People Update
- Review of External Advisers
- Investment Review: Acquisition and Investment in Teams since 2011
- Business Update (including November flows, financial and performance)
- Update on FCA Matters

Effectiveness

Training

To ensure that the Directors continually update their skills and knowledge, all Directors receive regular presentations on different aspects of the Group's business and on financial, legal and regulatory matters affecting our sector. For example, during 2015, the Directors received presentations from the Head of Emerging Market Equities and the Head of Emerging Market Credit as well as a thorough summary of the results of our Employee Engagement Survey and a deep dive into how investment risk is managed.

Board evaluation review

Evaluation of the Board's performance

The 2015 Board internal evaluation focused on the areas highlighted from the 2014 external evaluation and was conducted internally via a web portal, to increase efficiency and improve upon the previous paper-based exercise. As usual for the evaluation, the Directors completed a questionnaire regarding the effectiveness of the Board and its Committees following which the Chairman held a formal evaluation meeting with each Director. The Senior Independent Director met with the Non-Executive Directors and evaluated the Chairman's performance.

The performance of Andrew Formica, Chief Executive, was evaluated by the Chairman and the Remuneration Committee.

The evaluation of the ExCo members was undertaken by the Chief Executive and the Remuneration Committee. These performance evaluations were conducted in accordance with the processes disclosed on our website.

As disclosed in the 2014 Annual Report, the 2014 actions included increasing international experience on the Board, the embedding of succession planning in the business and reviewing the structure of information provided to the Board and Committees. To address these, Kalpana Desai was appointed to the Board in 2015 and the Nomination Committee also includes succession planning as a standing item on its agenda. Enhancing the information provided to the Board forms part of an ongoing process of improvement and development.

The outcome of the 2015 evaluation process was that the Board and its Committees continue to operate effectively and the progress against the actions arising from the 2014 external evaluation will continue to be monitored and progress mapped. Certain items arising from the 2015 evaluation included continuing to ensure that strategy remains a focal part of the Board agenda, to engage with shareholders, especially in relation to voting matters, and to review succession planning.

Board skills

	Richard Gillingwater	Andrew Formica	Roger Thompson	Kevin Dolan	Kalpana Desai	Robert Jeens	Angela Seymour-Jackson	Tim How	Sarah Arkle
Asset Management	✓	✓✓	✓✓	✓✓	✓	✓	✓	✓	✓✓
International	✓✓	✓✓	✓✓	✓✓	✓✓	✓	✓	✓	✓
Acquisitions	✓✓	✓✓	✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓
Finance	✓✓	✓	✓✓	✓	✓✓	✓✓	✓	✓✓	✓
Risk	✓	✓	✓	✓	✓	✓✓	✓✓	✓	✓✓
Client Focus	✓✓	✓✓	✓	✓	✓	✓	✓✓	✓✓	✓✓

Asset Management
International
Acquisitions
Finance
Risk
Client Focus

Nomination Committee report

Richard Gillingwater
Chairman of the Nomination Committee

Membership

- Richard Gillingwater (Chairman)
- Sarah Arkle
- Kalpana Desai
- Kevin Dolan
- Tim How
- Robert Jeens
- Angela Seymour-Jackson

The executive succession plan was revised and extended to include key roles below ExCo.

Dear Shareholder

In 2015 the Nomination Committee concentrated on two main issues: (i) the search for a new Non-Executive Director to assist with our strategy of growth and globalisation and to address an area of improvement identified from our 2014 Board evaluation exercise and (ii) succession planning.

The Nomination Committee engaged Heidrick & Struggles to carry out a search for a new Non-Executive Director, as the search firm most likely to produce a selection of strong candidates for potential Non-Executive Directors with a strong current knowledge of the Asian market. Heidrick & Struggles have no other connection with Henderson.

Each candidate was rated on five criteria:

- knowledge of Asian markets
- knowledge of the industry
- good fit with Henderson
- Board experience
- interest in the role.

Following the discussions at the Nomination Committee, three candidates from the short list presented were met with, following which Kalpana Desai emerged as the leading and preferred candidate. Ms Desai met the Chairman, the Senior Independent Director, the Audit Committee Chairman, the Board Risk Committee Chair, the Chief Executive and the Chief Financial Officer. It was noted from the interview process that Ms Desai possessed strong international financial services experience, particularly in the Asia-Pacific region which complements our strategic intent of globalising Henderson. A recommendation was made to the Board to appoint Ms Desai as a Non-Executive Director and her appointment took effect on 5 October 2015.

A comprehensive induction programme was arranged and held for Ms Desai. This included receiving presentations from the business areas and meeting key individuals within the Group to ensure that she has an appropriate level of knowledge of the Group, its business, regulatory aspects and the risks facing it.

The Nomination Committee also received an update on management succession (see page 58).

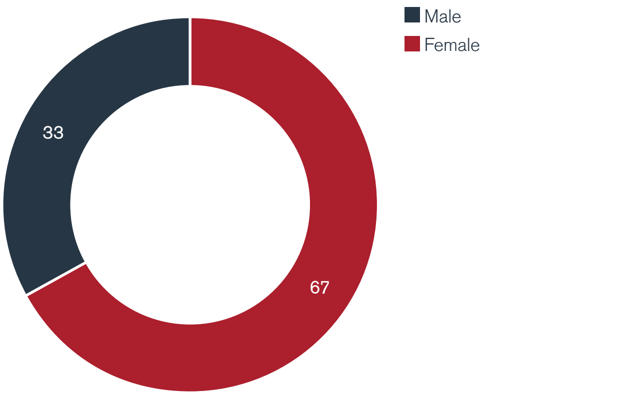
Richard Gillingwater
Chairman
10 February 2016

Role of the Nomination Committee
The Nomination Committee has responsibility for considering the size, composition, expertise, experience and balance of the Board as well as succession planning.

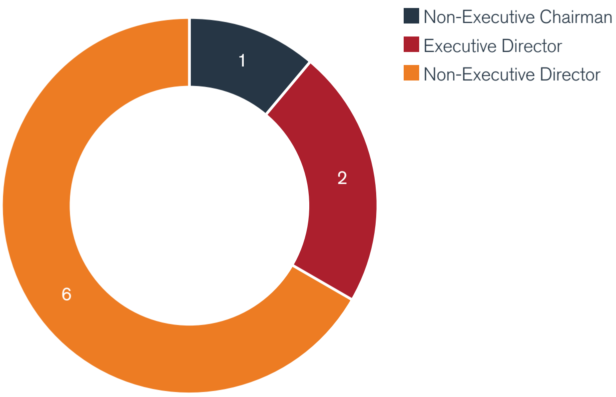
Read more information on our Group website

www.henderson.com/ir

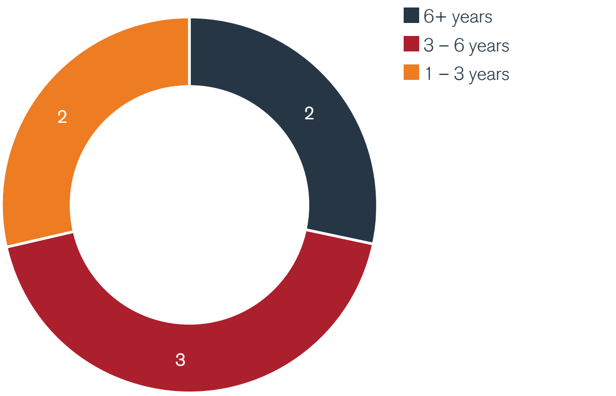
Board gender balance (%)



Board split



Tenure of Non-Executive Directors



Diversity

While we do not have formal diversity targets, as we believe that appointments should be based on merit and objective criteria, we are committed to promoting equality and diversity in the workplace and recognise the need for, and benefits of, diversity in helping us attract and retain high potential employees. We have numerous policies, employee benefits and business practices in place to support a diverse workforce and a forum, chaired by the General Counsel and Company Secretary, made up of representatives from across the business has been constituted on behalf of the ExCo to look more closely at diversity and inclusion at Henderson.

As we grow globally, it is important to ensure we are attracting, developing and retaining the best people and this means ensuring our culture and values reflect the diversity of our people and the communities we operate in.

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

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

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

Sarah Arkle, Kalpana Desai and Angela Seymour-Jackson constitute 33% of the Board. The General Counsel and Company Secretary, Jacqui Irvine constitutes 11% of the ExCo.

Succession planning and talent management

The Nomination Committee has succession planning as a standing item for its meetings. The executive succession plan was revised and extended to include key roles below ExCo and our highest performing fund managers and a detailed plan was reviewed at the June meeting. To support this, executive development has focused on building closer relationships across ExCo, increasing constructive challenge and becoming more open to change. The majority of development has occurred through feedback, coaching and team effectiveness work.

In addition, a talent strategy and framework has been developed which has been used to support senior managers to have more consistent discussions about the talent capability of our business. This has resulted in 94% of the global workforce being discussed and an initial picture of the benchstrength of the organisation has been created.

As part of the talent reviews, succession planning conversations have improved with plans now including the roles below ExCo. This will be built out further to identify all business critical roles and ensure succession plans and accompanying development actions are in place.

To continue to strengthen our talent benchstrength and increase risk mitigation, the following areas were identified as priorities for the next phase of Henderson's talent management plan:

- the development of a Global Leaders Network aimed at future talent in mid to senior roles; and
- global secondments and greater career management support.

Governance

Accountability

Risk management and Internal control

We consider risk assessment and the existence of effective controls to be fundamental to achieving the Group's corporate objectives within an acceptable risk and reward profile. The Board has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness and takes into account the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. A robust assessment of the principal risks facing the Company has been carried out, including those that would threaten its business model, future performance, solvency or liquidity. There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and a description of those risks and an explanation as to how they are being managed or mitigated is set out in the Risk management section together with the Group's viability statement.

➔ Read more in our Risk management section on pages 23 to 27

➔ Read the Group's Viability Statement on page 25

The Board, via the Board Risk Committee and the Audit Committee, regularly reviews and monitors the Company's risk management and internal control systems and principal risks faced by the Group via the three lines of defence model. In addition, an AAF 01/06 Control Report is produced annually. This report covers all material controls including financial, operational, compliance controls and risk management systems. No significant failings or weaknesses were identified from this report. An annual formal review of the effectiveness of Henderson's system of risk management and internal controls is also carried out in order to support the statements included in the Annual Report and Accounts. The internal control and risk management systems have been in place for the year under review and up to the date of the approval of the report and accounts.

➔ Read more in our Board Risk Committee report on pages 60 and 61

➔ Read more in our Audit Committee report on pages 62 to 65

The Board received assurances from the Chief Executive and the Chief Financial Officer that the financial records of the Group have been properly maintained and that the consolidated financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (see also the Directors' Responsibilities Statement). In addition, the ExCo reported to the Board on the effectiveness of the Group's system of internal controls and the mitigation of any material business risks.

➔ Read the Directors' Responsibilities Statement on page 91

Internal controls over financial reporting

Our financial reporting process has been designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of financial statements, including consolidated financial statements, for external purposes, in accordance with IFRS. This process is under the supervision of the Chief Executive and the Chief Financial Officer and has appropriate internal controls to ensure its effectiveness. The internal controls include policies and procedures that:

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

➔ Read the Going Concern statement on page 90

Board Risk Committee report

Membership

- Sarah Arkle (Chair)
- Kalpana Desai
- Kevin Dolan
- Robert Jeens
- Angela Seymour-Jackson

Our strategic objectives and the key risks to our strategy and business model are interconnected.

Dear Shareholder

I am pleased to present the report from the Board Risk Committee for 2015. Although the purpose of the Committee is to assist the Board in the oversight of risk, it is important to note that the Audit, Nomination and Remuneration Committees also consider certain key risks relating to Henderson as appropriate, at which certain members of the Board Risk Committee are also present. We believe it is important to ensure that the right information regarding the principal risks facing Henderson is being presented to the Committee and the BRC spends some time at each meeting discussing and identifying forward looking and emerging risks facing the Company, including macro economic and political risks, liquidity risks, regulatory risks and longer-term strategic risks.

Please note that our Chief Risk Officer (CRO), Chris Chaloner, has set out a summary of Henderson's risk framework and profile which provides some useful context to the activities of the Committee in 2015. A summary of our principal risks and how these are mitigated are set out in the Risk management section on pages 26 and 27.

As referred to in the Risk management section, an important issue has been the oversight and management of IT and cyber risks facing the industry and Henderson. A number of reports during the year were presented by the Global Head of IT & Operational Change as well as an informative benchmarking report which included a comparison of Henderson's IT controls, strengths and areas of enhancement. Broadly, the report indicated that controls were at a good level. The Committee also supported the importance of the appointment of a new Chief Information Security Officer to assist in the mitigation of cyber risks facing the organisation. The Committee received a presentation on the information "crown jewels" and considered how these crown jewels were safeguarded and the Group's risk appetite for loss of information. In addition, it was agreed that IT security updates will continue to be a focus going forward.

Liquidity risk within funds was also an important topic over 2015. The Committee received a paper which set out a summary of the impact of reduced fixed income market liquidity on Henderson funds and received a report on a live business rehearsal with hypothetical stressed market conditions.

It is considered good practice to review the Risk Appetite Statement annually or more frequently should changes in the risk profile of the Group or the external environment necessitate this. The categories of risk addressed by the Risk Appetite Statement remained consistent with the key themes that are regarded as essential for the successful delivery of Henderson's corporate strategy and goals. As part of the 2015 review it was noted that the most significant changes to the Group's risk profile in the last 12 months relate to the intensity of regulatory change and challenge. The ICAAP was also reviewed, challenged and approved for recommendation to the Board. This included the assumptions used in the stress and scenario tests, the wind-down analysis, the methodology used for assessing the amount of capital held and the basis for and the aggregate amount of capital held for operational risk.

As part of its annual timetable, the Committee considered and approved the Reverse Stress Test analysis. This included identifying scenarios that might cause Henderson's business model to fail which are taken into account in the design of our risk management framework and control processes. It was agreed that the risk management framework and control processes are sufficiently robust for the net risk of failure to lie beyond the "1 in 200" year confidence interval used for ICAAP capital purposes.

Updates are also provided at each meeting regarding credit, operational and strategic risks, which includes a risk heat map for strategic risks. Risk categories are added or removed to the heat map depending on the probability or severity of the risk facing Henderson. The operational risk updates provided included assessments of significant operational incidents and near misses, and reviews of relevant external events to enable the Board Risk Committee to assess whether appropriate mitigating actions are in place.

Reports were also received regarding business continuity arrangements and a common framework for the management of crises. In this context, crisis covers a much wider range of issues than circumstances that might result in Henderson invoking its disaster recovery arrangements. It includes, for example, critical failures at our third party administrators, major information security incidents, market events that have a significant impact on our funds, regulatory investigations and loss of key people or teams.

A framework for accepted risks was approved in 2015, introduced to provide clarity over the process and requirements in relation to the acceptance of risks in the context of the Group's risk appetite. The policy and its application will be reviewed in 12 months to ensure that it is operating effectively and as expected.

The Committee is also responsible for agreeing on an annual basis the CRO's and Assurance function's objectives and priorities and reviewing the performance against these objectives.

Sarah Arkle

Chair of the Board Risk Committee

10 February 2016

Role of the Board Risk Committee

The purpose of the Board Risk Committee is to assist the Board in the oversight of risk. The Committee also looks to identify any forward looking and emerging risks that relate to the industry or Henderson specifically, and will refresh and monitor these risks and look at mitigating actions on an ongoing basis.

Read more information on our Group website:

www.henderson.com/ir

Audit Committee report

Robert Jeens
Audit Committee Chairman

Membership

- Robert Jeens (Chairman)
- Sarah Arkle
- Kalpana Desai
- Tim How

All members of the Committee are independent and have "recent and relevant financial experience" and "financial expertise" as recommended by the UK Code and the ASX Principles. Both Robert Jeens and Kalpana Desai have competence in accounting and auditing as required by the Disclosure and Transparency Rules.

The Company has in place arrangements to ensure that the Annual Report, taken as a whole, is fair, balanced and understandable.

Dear Shareholder

It is vital that our continuing journey along our strategy of growth and globalisation is supported by an embedded and efficient system of internal controls and financial reporting as well as a challenging and independent Internal Audit function. An important topic for the Audit Committee during 2015 was therefore the external review of the Internal Audit function.

→ Read more on Internal Audit function and external review on page 65

The activities of our Compliance department and broader regulatory developments were further areas of focus. Our Compliance department forms part of our second line of defence and advises and monitors how the Group conducts its business activities in accordance with global regulation and the wider expectations of our regulators in all countries where regulated business is performed.

→ Read more for an explanation of the three lines of defence on page 25

Regular reports were presented by the Global Head of Compliance, Charles Jones, to the Committee on a broad range of regulatory topics affecting our current business as well as on the impact of future regulation such as an assessment of the impact of MiFID II, Client Money rule changes, the FCA's Senior Managers Regime, and the European Banking Authority (EBA) Guidelines on Remuneration. In addition a project plan for regulatory projects from 2015 to 2017 was provided to the Committee. The Committee also considered correspondence with key regulators such as the FCA and the SEC.

The Audit Committee also received the Money Laundering Reporting Officer's report and received reports on tax accounting matters.

Reliability and appropriateness of the Group's financial reporting

As usual, a key matter for us as a Committee to consider was the reliability and appropriateness of the Group's financial reporting.

The Company has in place arrangements to ensure that the Annual Report, taken as a whole, is fair, balanced and understandable as required by the UK Code and provides shareholders with the information necessary to assess the Group's performance, business model and strategy.

To assist the Board in making this decision, the Audit Committee, as part of the oversight of the reliability and appropriateness of the Group's financial reporting, received and reviewed reports from management and the external auditors PricewaterhouseCoopers LLP (PwC) relating to the Annual Report of the Group and the Company, as well as the Interim Report and Accounts, interim management statements, related disclosures and the financial reporting process. This included the review and approval of the timetable and deliverables for both the annual and interim results. In addition the Committee considered significant issues relating to the financial statements as set out on page 63.

The reports from PwC included an update on the audit plan, year end timetable, fees, audit quality review and an update regarding the integrated audit. PwC also discussed their review of the AAF with the Committee.

→ Read the Financial review on pages 18 to 21

The Audit Committee also received an update on new systems implemented in 2014 and those being implemented in 2015 for the Finance platform, the purpose of which is to make improvements to the Group's reporting environment. This included reviewing the overall timetable and progress made.

Significant issues

As part of the review of the Annual Report, the Audit Committee also considered various significant issues and discussed how these may be addressed. These included the matters below.

Disposal of the investment in TH Real Estate

The Group completed the sale of its 40% holding in TH Real Estate for £84.3m on 1 June 2015, resulting in a gain of £12.3m which has been presented as a non-recurring item in the Consolidated Income Statement. This includes a small upward adjustment in the second half on agreement of completion accounts and the Committee agreed that this adjustment should also be categorised as a non-recurring item in order to maintain consistency of treatment.

Acquisition of Perennial

The Group acquired 100% of the issued share capital of two boutique Australian asset managers on 1 November 2015 for total consideration of £35.3m. The Committee considered the accounting for these transactions and in particular the balance between the Investment Management Contracts (IMCs) and goodwill acquired. Judgement was required in accounting for the IMCs recognised of £16.1m, with forecast cash flows and the amortisation periods being key. This assessment was based upon management experience, information available from Perennial and industry data. Sensitivity analysis over likely possible changes to assumptions has also been performed which did not materially change the value of the IMCs.

To address these issues, in each case the Audit Committee received regular updates and reports from management which set out a summary of the issues with judgements or recommendations made as to the appropriate accounting treatment or disclosure. The Committee considered these and challenged management where appropriate on matters of judgement and the resultant recommendations. The Committee concluded that the judgements made in respect of the above matters are reasonable and that appropriate disclosures have been included in the accounts. A further explanation of the above issues and how they were viewed by PwC is set out in their report on pages 93 to 98.

A number of areas of focus were also considered, which included:

(i) the recognition of management and performance fees; and

(ii) a goodwill and intangible assets impairment review.

The Committee, in each case, discussed these areas of focus with the auditors at both the planning and completion stages of their audit.

The Committee fully reviewed the Annual Report following the review of the matters and reports referred to above and recommended to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable.

Role of the Audit Committee

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

Read more information on our Group website:

www.henderson.com/ir

External auditors and auditor independence

The reappointment of our external auditors, PwC, was approved by shareholders at the 2015 AGM. During 2015, the Audit Committee considered the risk and contingency plan in the event of the withdrawal of PwC from the market.

The audit engagement partner and senior audit team members are rotated every five years and no contractual obligations exist to restrict the choice of auditors of the Group and the Company. The Group will comply with the UK Code's 10 year provision to tender the audit engagement when appropriate.

The Charter of Statutory Auditor Independence was also reviewed, which requires both the Company and the external auditors to take measures to safeguard both the objectivity and the independence of the external auditors. The Charter takes into account the FRC Guidance on Audit Committees. The Charter includes those services which are deemed to be pre-approved, those which need prior approval and those which are prohibited. These measures include a prohibition regarding any non-audit services in respect of specific areas (e.g. secondments to management positions) or which could create a conflict or perceived conflict. It also includes information on the procedures for the selection, appointment and rotation of the external audit engagement partner. The Charter is on our website. The Audit Committee also reviewed the independence of PwC and has in place a policy on non-audit services to maintain auditor independence.

Review of external auditors

The Audit Committee reviewed and approved PwC's remuneration, engagement letter and their effectiveness which included an overview and cost of the services provided, a description of the assignments fulfilled and feedback from management on the quality of service.

The Committee noted that the first year of an audit transition requires a significant investment of time from both auditors and client. There had been a learning period as PwC became familiar with the Henderson accounting processes and systems and Henderson understood PwC's areas of focus and information requirements. It was thought that PwC had performed well in the following areas:

- Quality of presentation materials to management and the Committee
- Rigour of the audit approach and testing
- Challenge to established ideas and concepts
- Increased efficiencies were derived from PwC's integrated audit approach, such as utilising the integrated approach to achieve higher coverage and more accurate testing of income as well as enabling PwC to gain a broader and more in depth view of the Group and funds
- There were learning points for both teams such as allocation of resources by PwC on subsidiary audits and Henderson improving communication between UK and overseas Finance areas.

As part of the review of PwC, the Audit Committee reviewed and authorised details of the non-audit services provided by the external auditors and agreed that the provision of non-audit services was satisfactory and had not compromised their objectivity or independence.

➔ Read more on the services provided and fees paid to PwC in note 4.2 to the Financial Statements on page 114

The Head of Internal Audit and external auditors attended the scheduled Audit Committee meetings during the year and, on one occasion, met the Non-Executive Directors without the Executive Directors being present. Outside the framework of formal meetings, the Audit Committee Chairman meets and has regular contact with the Chief Executive, the Chief Financial Officer, the Head of Finance, the Head of Internal Audit, the Global Head of Compliance and the senior engagement partner of our external auditors.

Review of internal controls

As part of the internal controls and oversight process, the Audit Committee also receives an internal controls report each quarter which contains an update from each of the Internal Audit, Legal and Compliance functions. The Internal Audit section of the report contained an update of outstanding audits in accordance with the Internal Audit Plan and the results of audits undertaken throughout the business, together with any findings and outstanding actions. The Audit Committee also received a list of auditable activities ranked in priority of risk. The Legal section sets out a summary of significant known or potential claims made by or against the Group. The Compliance section sets out a summary of any significant compliance issues facing the Group such as priority areas relating to a combination of business as usual, and other regulatory developments including notifications to regulators, client money and assets, regulatory developments and initiatives, compliance monitoring reviews, financial crime and updates regarding contact and meetings with the FCA. Where necessary, the updates included actions undertaken or those recommended to be undertaken by the Group.

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

➔ Read more in our Accountability section on page 59

Internal audit and external review

Internal Audit is led by the Head of Internal Audit, Fortune Chigwende. The function forms the third line of defence and exists to help the Board and senior management protect the assets, reputation and sustainability of the Group by providing an independent objective assurance service designed to add value and improve the operations of the Group. The function helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge executive management and evaluate the effectiveness of risk management, control and governance processes.

Internal Audit's primary objective is to provide an independent assurance service to the Board, Audit Committee and executive management on the adequacy and effectiveness of the Group's governance, risk management and internal control processes. In practice, this is achieved through risk-based audits of business activities which are designed to assess the effectiveness of controls. If improvements are found to be necessary, appropriate actions are agreed with management, reported to the Audit Committee and tracked to completion.

Internal Audit covers all locations and business units. Internal Audit is independent of management and reports directly to the Audit Committee. The team has unrestricted access to all information, systems, people and business areas and freedom to allocate resources and determine the scope of work to accomplish its audit objectives.

Internal Audit operates a risk-based audit cycle upon an assessment of risks within each business area. The annual audit plan is presented to the Audit Committee for review and approval. Based on Internal Audit's continuous risk assessment process of the risks within each business areas, the annual audit plan is revised and any changes to the plan are presented to the Audit Committee for review and approval. Internal Audit evaluates the design and operating effectiveness of the system of internal control and risk management, agreeing actions for improvements with the business unit and the appropriate ExCo member. In addition, the Head of Internal Audit provides an overall opinion annually on the internal control environment to the Audit Committee.

During 2015, Independent Audit Limited carried out a review of the effectiveness of the Internal Audit function at Henderson. The work involved interviews with Internal Audit's key stakeholders, including all the members of the Audit Committee, the Chairman of the Board, Chief Executive, Chief Financial Officer, Chief Risk Officer and other senior executives and management. All members of the Internal Audit team were interviewed and assessed as part of this review, and Independent Audit Limited also reviewed relevant documentation such as audit plans, reports and working papers. The Committee was reassured that the quality of the work was good, and that the function is effective. Some recommendations arose out of the review, and the Audit Committee and the ExCo also met with Independent Audit and formulated an action plan which was presented to and approved by the Audit Committee.

Conflicts of Interest Committee

In investment management, a pre-requisite of integrity in the conduct of business is proper management of conflicts of interest. As well as being good business management, Henderson believes that proper management of conflicts of interest is central to our mission of delivering excellent performance and service to our clients.

The Conflicts of Interest Committee (CC) is a sub-committee of the Audit Committee and is responsible for reviewing and overseeing the Group's arrangements for identifying and managing conflicts of interest and ensuring the best interests of its clients are considered at all times. In particular, the CC has responsibility for:

- overseeing the Group's culture, awareness and training in relation to conflicts of interest;
- overseeing the policies and procedures designed to ensure clients' interests are considered in the business conduct of the Group and its governance;
- overseeing the Group's Conflicts of Interest Policy and related policies, ensuring these adhere to regulatory requirements and have regard to industry best practice;
- reviewing conflict identification and controls implemented to mitigate conflicts of interest; and
- reviewing appropriate management information to determine whether conflicts of interest are being effectively mitigated and/or managed.

During 2015 the CC received regular reports and summary management information on the key areas where conflicts may potentially arise. It also continued its programme of thematic reviews including presentations on and discussion of the Group's activities in the USA and on Operations and third party service providers. The committee also considered the prospective impact of MiFID II on payment for research and the post-RDR pricing of UK retail funds.

Robert Jeens

Chairman of the Audit Committee

10 February 2016

Relations with shareholders

Over the course of 2015, the share of the Group's listed holdings has migrated from a 67% Australian listing: 33% UK listing, closer to an equal weighting between the two. During this period, Capital Group of Companies (Capital Group) on the UK register and Commonwealth Bank Group on the Australian register, moved to greater than a 3% holding in the Group. JCP Investment Partners and Perpetual Investments – on the Australian share register – have fallen below the disclosable interests' threshold.

In the course of the year, our Executive Directors conducted over 200 meetings with institutional shareholders in London, Edinburgh, Sydney, Melbourne, Singapore, Hong Kong, New York, Chicago and Toronto. Meetings focused on progress with our growth and globalisation strategy, fee margin trends, management of our cost base, operating leverage, uses of cash and capital, updates on announced acquisitions, our £25m share buyback programme and the impact of increasing industry regulation.

The Board regularly receives feedback on shareholder sentiment and sell-side analysts' views of the Group and the wider industry. In October, a partner from Capital Group, our newest substantial shareholder, addressed the Board. The Board welcomed the opportunity to learn more about Capital Group's interest in Henderson and their broader view on the industry.

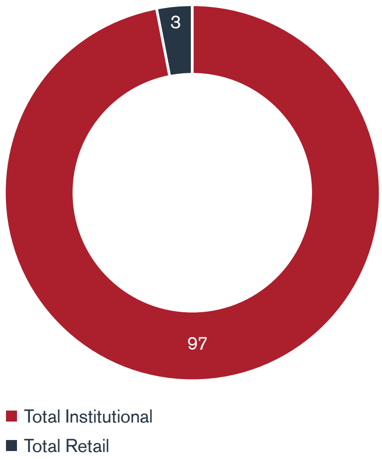
In the course of the year, Henderson gives four scheduled updates to the market in addition to our Annual General Meeting. We have introduced two additional quarterly market briefings which coincide with the release of the quarterly trading statements to provide the investment community with more regular contact with management, particularly for Australian investors, and to facilitate understanding of the business and its dynamics.

The Investor Relations team and management have frequent contact with the 25 sell-side analysts who follow Henderson. In April 2015, we began to share analyst consensus collated by the Investor Relations team with shareholders, analysts and other stakeholders who signed up to our distribution list. In September, we moved to improve our disclosure and transparency with the market in line with ASX best practice by publishing consensus on our website.

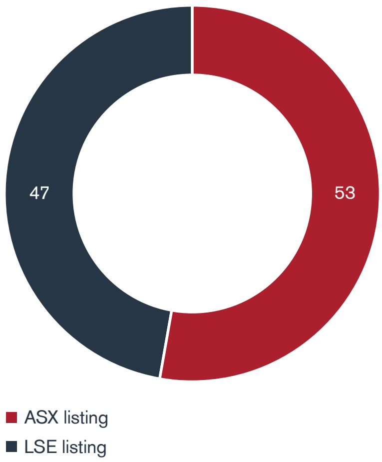
The Senior Independent Director, Mr How, engaged with the Group's largest 20 UK and Australian shareholders, as well as the proxy advisory agencies, as part of the 2015 remuneration consultation. Through the course of the consultations, Mr How discussed the Group's remuneration philosophy, policies and the Directors' proposed remuneration with shareholders, welcoming the opportunity to hear their feedback on these and wider matters. Mr How also met Capital Group in the US with the Board as explained above.

Further information regarding the Group's shareholders can be found on page 150 in the Shareholder information section.

Henderson shareholder base (%)

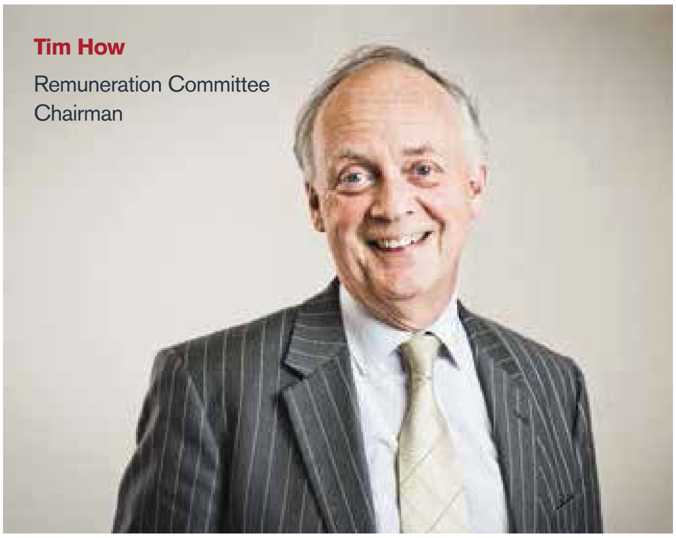


Henderson shareholder base (%)



Directors' remuneration report

Annual Statement from the Chairman



Tim How

Remuneration Committee Chairman

Membership

- Tim How (Chairman)
- Sarah Arkle
- Kevin Dolan
- Angela Seymour-Jackson

Exceptional company performance over the past three years has resulted in strong reportable reward outcomes from our long-term plans – we firmly believe that this is the embodiment of the 'pay for performance' culture that is the cornerstone of our remuneration policy.

Dear Shareholder

I am pleased to present our 2015 report on Directors' remuneration for your approval at our Annual General Meeting on 28 April 2016 in the UK and Australia.

We comply with the UK reporting requirements and the ASX Principles relating to Directors' remuneration on a voluntary basis. You may recall that we submitted our remuneration policy to shareholders as part of last year's reporting cycle and indicated that, subject to shareholder support, it would be our intention for that policy to apply for up to three years. Given the support for that policy at last year's AGM (84.2% in favour) and the fact that no material changes to that policy are proposed, we therefore do not propose to re-submit the policy for re-approval this year. The following section is therefore dedicated to the Directors' Remuneration Report, which provides information on how the policy has been implemented during the year, and in respect of which we are offering shareholders the usual advisory vote at our 2016 AGM.

2015 performance and key pay outcomes

In a desire to present the key performance highlights and reward outcomes upfront and in a single place, I would like to draw your attention to our new At a Glance section which is presented on pages 70 and 71.

The key highlights are as follows:

- The Company continued to perform strongly in 2015, and has delivered strong results for shareholders for three consecutive years, achieving levels of investment performance and net asset flows materially in excess of those of our primary competitors and the wider asset management sector in general
- Total AUM at 31 December 2015 up 13.3% to £92.0bn (2014: £81.2bn), including the net impact (net outflow) of disposals and acquisitions of (£0.9bn)
- Achievement of record net inflows of £8.5bn (increase of 20% vs 2014)
- Underlying profit before tax from continuing operations up 17% to £220.0m (2014: £187.8m)
- Diluted continuing underlying EPS up 17% to 17.2 pence per share (2014: 14.7 pence per share)
- This continuing strong performance has been reflected in the Company's share price which stood at £3.10 as at 31 December 2015 compared to £2.14 as of 31 December 2014 (£1.32 as at 31 December 2012*)
- Total dividend up 14.4% at 10.3 pence per share (2014: 9.00 pence per share)
- Strengthening of the Group's regulatory capital position from a significant deficit to a surplus, preparing the Group for the expiry of the investment firm consolidation waiver in April 2016
- The success of key strategic projects, including the sale of the remaining stake in TH Real Estate and the acquisition of the Perennial and 90 West investment businesses in Australia.

Note:

* Beginning of the reference period for LTIP 2013.

From a Total Shareholder Return (TSR) perspective, we have delivered upper-quartile performance for our shareholders over the last three years against the market indices, and even upper-decile against certain indices, as shown in the table below:

Performance against indices/peer groups in the period 2013 – 2015 (%)[1]

	Henderson TSR growth	Median TSR growth of indices/peer group	Percentile ranking[2]
FTSE 350	161.7	45.5	92.6
FTSE 350 General Financial Services Index[3]	161.7	78.6	88.4
ASX 100	244.8	41.0	99.0
Period 2011 – 2015			
FTSE 350 General Financial Services Index (2011-2015)[4]	184.3	80.3	87.0

While the continuing success of the business has required a concerted and co-operative team effort across the Company, this is due in no small part to the energy and strategic insight of our Executive Directors who continue to drive the Group with clarity, purpose and vision. The variable remuneration awarded to them reflects their strong contribution balanced against the desire to deliver attractive returns for our shareholders as reflected in the increased underlying profit before tax from continuing operations.

Taking into account the performance highlighted above, I have summarised the key 2015 remuneration outcomes below which are shown graphically overleaf:

- Following a performance assessment as outlined on page 76, the Remuneration Committee (Committee) awarded to the Chief Executive a performance related Short-Term Incentive (STI) of £1,560,000 (a 5% reduction in the award granted for 2014). This represents a pay-out of 371% of base salary (74% of the prevailing maximum STI opportunity of 500% of base salary)
- Following a performance assessment as outlined on page 76 the Committee initially awarded the Chief Financial Officer a performance related bonus of £759,000, representing a pay-out of 223% of base salary (74% of the maximum STI opportunity of 300% of base salary). However, the Chief Financial Officer proposed that this bonus be adjusted in the interest of consistency of reward outcomes across the wider business. As a result he will receive an STI award in the sum of £650,000 (which is flat versus the prior year). This represents a pay-out of 191% of base salary (64% of the maximum STI opportunity of 300% of base salary)
- To reflect shareholder expectations, the Committee materially enhanced its STI disclosures within the 2014 report and we have further increased our disclosure around STI outcomes to include actual targets (on a retrospective basis). Additional detail on the rationale for these awards is provided in the Annual report on remuneration on pages 72 to 84. The Committee believes these disclosures provide shareholders with appropriate levels of clarity, to enable them to judge the linkage between performance (Company and individual) and remuneration outcomes, whilst having due regard to commercial sensitivity considerations. The Committee will continue to monitor shareholder expectation and evolving market practice in this regard and will provide further disclosures as deemed appropriate
- The performance period for the LTIP 2013 ended on 31 December 2015. Henderson's relative TSR performance (accounting for 95% of the total award) was positioned at the 90th percentile[1,3] relative to the peer group. This resulted in the maximum vesting of 95%. Taking into account performance against the additional risk and sustainability element (3% out of the available 5% awarded), the overall vesting level for LTIP 2013 awards is 98% of the maximum
- The performance period for the final tranche of the ESOP 2011 ended on 31 December 2015. Henderson's relative TSR performance was positioned at the 86th percentile[1,4] relative to the peer group. This resulted in matching shares being awarded under ESOP 2011 of two shares per share held in the plan
- It should be noted that the Committee has approved an extension of the mandatory deferral policy which will bring a greater number of employees up to the current maximum deferral rate of 50% in respect of the 2015 performance year. Furthermore, the maximum deferral rate will be increased to 60% above certain thresholds for 2016 which may impact Executive Directors.

Further context on single figure disclosures

It is important to provide context in relation to the Long-Term Incentive (LTI) outcome that is reported in the single figure disclosure for the Chief Executive and Chief Financial Officer for 2015. This disclosure is materially impacted by payments under two historic LTI awards (referred to above), being the 2013-15 Long-Term Incentive Plan (LTIP 2013) and the 2011 Employee Share Ownership Plan (ESOP 2011), the last tranche of which vested in 2015.

Further contextual information in relation to these plans and associated outcomes in relation to the Chief Executive is set out below:

- LTIP 2013: The high vesting (98%), together with the material increase (134%) in the share price over the reference period, resulted in a plan outcome in the amount of £3.2m (including dividend equivalents) which is reported in the 2015 Directors' Remuneration Report
- ESOP 2011: Similarly, the number of matching shares (two per share held in the plan), together with the material increase (77%) in the share price over the reference period, resulted in a plan outcome in the amount of £1.2m.

The combined impact of the above is that 2015 remuneration disclosures for the Chief Executive will reflect LTIs to the value of circa £4.4m (2014: £2.2m).

To put the Chief Executive's LTI into context:

- This amount includes £1.2m relating to the final payment under a one off legacy plan (ESOP 2011) which will not be a recurring amount
- Circa 60% (£2.6m) of the total disclosed amount relates to share price growth and dividend equivalents over the relevant performance periods of the underlying plans as illustrated in the graphic opposite (Figure 1)
- This amount represents less than 0.2% of the returns generated for shareholders over the last three years.

It should also be noted that LTIP outcomes in prior years have been materially lower, with the prior three LTIP plans vesting at 0% (2010), 78% (2011) and 43% (2012) respectively, appropriately reflecting overall Company performance over those prior performance periods. As a Committee, we firmly believe that this is the embodiment of the 'pay for performance' culture that is the cornerstone of our remuneration policy.

Similar analysis also applies to the Chief Financial Officer in relation to his reported LTIP 2013 award, with the reportable amount being £1.1m for LTIP 2013 (2014: £0.74m), although he did not participate in ESOP 2011.

Key pay decisions for 2016

- In line with approved remuneration policy, we propose to increase the annual base salaries of both the Chief Executive and the Chief Financial Officer by 3%, to £432,500 and £350,000 respectively, which is in line with the average increase across the wider employee group.
- Awards are proposed to be made to the Chief Executive and the Chief Financial Officer at the maximum opportunity (500% and 300% of base salary, respectively) under LTIP 2016. The number of LTIP options will be determined by reference to the share price at the date of award.
- Following a review of prevailing market rates for non-executive directors' fees:
  - The Chairman's fee, which has not been increased since 2014, is proposed to be increased by 10% to £220,000 (5% on an annualised basis)
  - The annual fee levels for Non-Executive Directors (which have also not been increased since 2014) have been increased on average by 6.4% (3.2% on an annualised basis).

➔ Further details are provided on pages 78 to 80.

Notes:

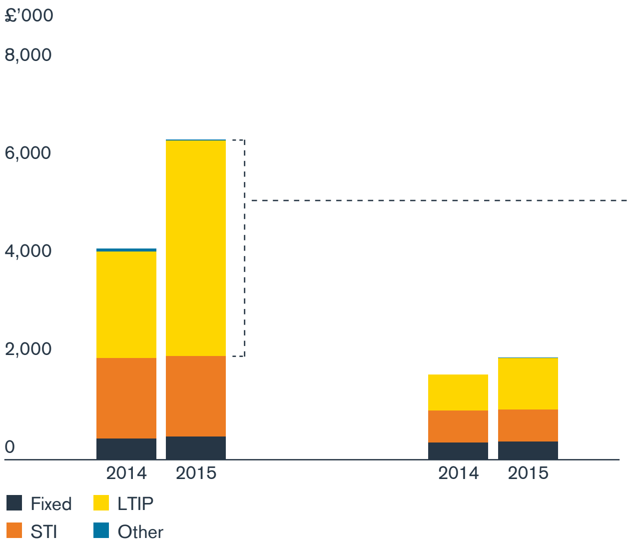
1. The TSR figures in the table opposite are measured on a 'point-to-point' basis between the ends of the relevant years. It should be noted that for the purpose of the LTIP plans, the percentile ranking is determined by reference to average TSR over three months prior to the start and end of the relevant performance period.
2. For avoidance of doubt, the percentile rankings expressed in this table and elsewhere in the report should be interpreted with 0% representing lowest rank and 100% representing highest rank.
3. For the purpose of LTIP 2013, the percentile ranking is 90.1.
4. For the purpose of ESOP 2011, the percentile ranking is 86.4.

As demonstrated during the course of 2014 and again this year, we are committed to engaging openly with shareholders and actively incorporate feedback in our remuneration policies and practices. We have engaged in written correspondence and, where possible, dialogue with our major shareholders in the period prior to publication of this report. The Remuneration Committee would ask shareholders to consider and approve the Annual report on remuneration set out in the following pages at our AGM on 28 April 2016.

Tim How
Chairman of the Remuneration Committee
10 February 2016

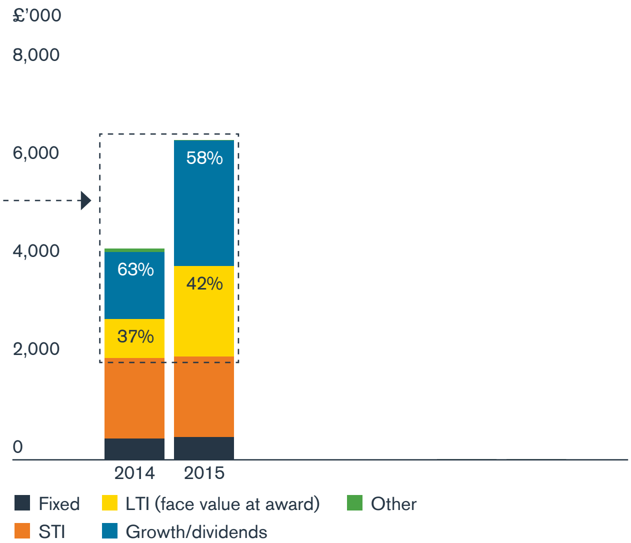
Figure 1: Single total figure of remuneration

Andrew Formica | **Roger Thompson**



Proportion of LTIP relating to share price growth/dividends

Andrew Formica



At a glance

The Directors' remuneration policy was approved by shareholders at the AGM in April 2015 and will remain in force until 2018 unless material changes are proposed in the intervening period. For ease of reference, a summary of the Company's key remuneration principles and remuneration elements is set out below.

Remuneration principles

Our remuneration policy remains focused on pay for performance and in driving shareholder returns over the long term, while prudently managing risk. In doing so, the Committee and the Board recognise that our remuneration policies and practices must enable us to attract, motivate and retain exceptional people, while aligning their interests with those of shareholders. The Committee works closely with the Board Risk Committee to ensure that performance is not achieved by taking unnecessary risks that fall outside the Board's risk appetite.

The key drivers of our remuneration philosophy and strategy are to:

- Attract and retain individuals critical to the long-term success of the Company by providing total reward opportunities which, subject to performance, are competitive within our defined markets both in terms of quantum and structure, and reflect individual contribution to business performance and sound risk management
- Maintain an appropriate balance between both fixed and variable pay, and short and long-term elements of remuneration, to minimise the probability of excessive risk taking and to align with the Company's strategic objectives and time horizons
- Reinforce a strong performance culture through rewards which are differentiated based on Company, division, team and individual performance
- Align management interests with those of the Company's shareholders and clients through building appropriate share and fund ownership over time
- Ensure that reward related processes are compliant with industry regulations, legislation and market best practice and have effective risk management controls.

Our remuneration principles are reinforced by achieving an appropriate balance of the following remuneration elements:

Base pay	Core fixed pay element to attract and retain employees with the personal attributes, skills and experience required to deliver our strategy.
Benefits	Provision of competitive, cost and tax effective benefits, geared towards the promotion of employee wellbeing, to attract and retain employees with the personal attributes, skills and experience required to deliver our strategy.
Pension	Provision of market competitive pension arrangements, in a way that does not create an unacceptable level of financial risk or cost to the Group, to assist with employee recruitment and retention, and to assist employees in building wealth for their retirement years.
Short-Term Incentive (STI) plan	Reward performance on an annual basis, by reference to Company financial performance and individual strategic and personal contribution, thereby aligning employee interests with the annual business plan and to the interests of shareholders. A material proportion of the STI award is deferred to satisfy regulatory requirements in addition to aligning the interests of the employee with those of the shareholders and clients via mutual linkage to the Group share price and investment performance of selected Henderson funds.
Long-Term Incentive Plan (LTIP)	Supports superior business performance over the longer term and aligns Executive Directors' and shareholders' interests via the linkage to TSR and to other long-term performance measures which are aligned to the achievement of the Company's long-term strategy.

Our performance

The key performance outcomes which have been taken into account in the assessment of performance and reward for our Executive Directors are as follows (further details are provided on pages 73 to 79):

→ Read our Directors' remuneration policy, approved at the 2015 AGM, at henderson.com/IR

STI performance measures

Financial

	Weighting	Target[2]	Actual outcome	Percentage of max[3]	Weighted achievement of max (out of 50%)
Return on equity (ROE) pre tax (pre variable compensation[1]) growth vs 2014	10%	5%	2.1%	42.8%	35.9%
Underlying pre tax profit (pre variable compensation[1]) growth vs 2014	30%	5%	16.6%	83.2%	
Revenue growth (management fees only) vs 2014	15%	5%	16.1%	80.3%	
Operating margin (pre variable compensation[1]) growth vs 2014	15%	0.5%	0.5%	49.8%	
One and three year investment performance	15%	70%	81.5%	75.6%	
Net inflows	15%	6%	15.0%	78.5%	

1. These measures exclude performance fee revenues and all variable compensation.
2. The figure shown is the target at which 50% of the maximum STI award (500% and 300% of base salary for the Chief Executive and Chief Financial Officer respectively) would be awarded.
3. This shows actual achievement as a percentage of the outcome at which the maximum STI award would be awarded.

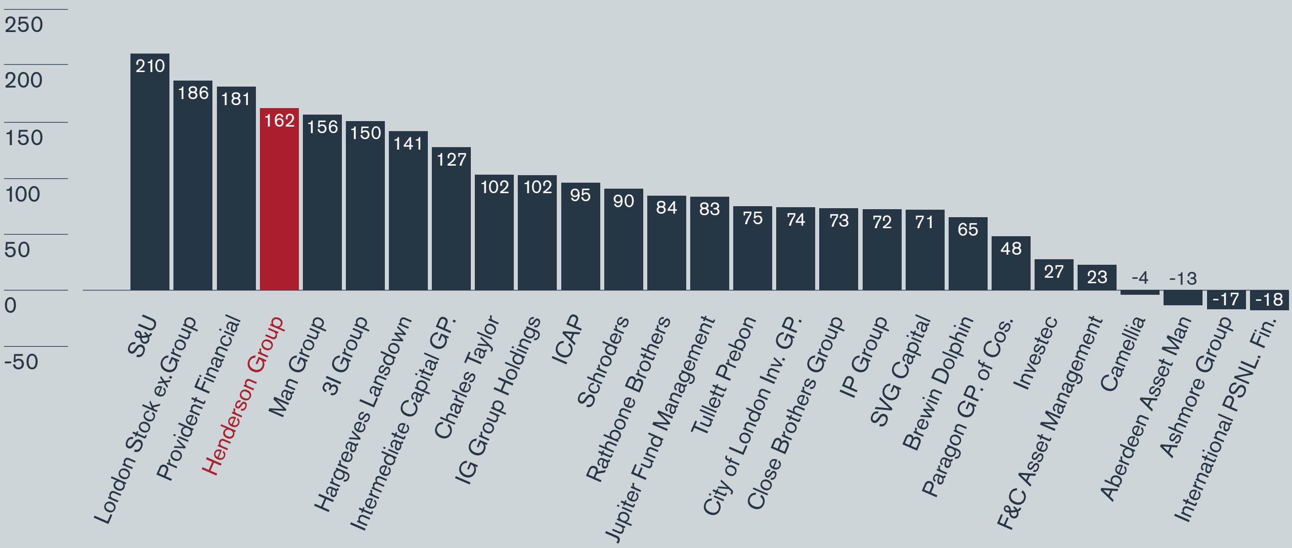
Non-financial

Strategic objectives (assessed as 78% achievement, 19.5% out of possible 25%)

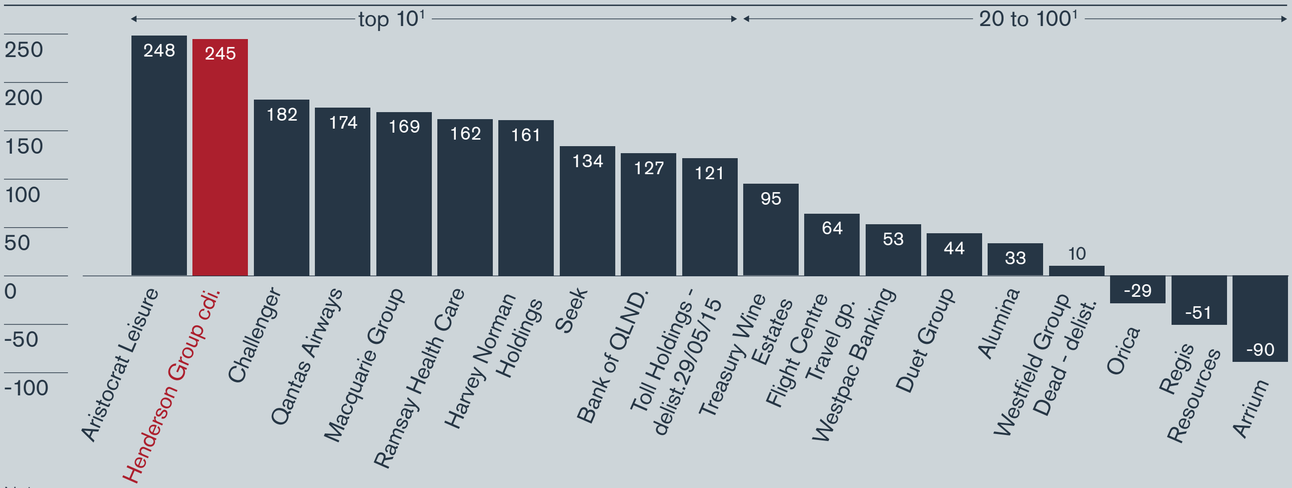
- Positive progress against the five year strategy, which remains well communicated and understood by investors
- Sale of the remaining 40% stake in TH Real Estate at an attractive price
- Build out of our Australian proposition via the acquisition of 90 West and Perennial, increasing Group AUM by £5.3bn or 6%
- Strengthening of the Group's regulatory capital position from a significant deficit to a surplus and enabling the £25m share buyback programme which has been well received by shareholders
- Further strengthening of new capabilities, notably US High Yield, Emerging Markets and Agriculture

For details of personal contributions of the Executive Directors, see pages 76 to 77.

Henderson vs FTSE General Financials TSR 2013-2015 (%)



Henderson vs ASX 100 TSR 2013-2015 (%)



Note:
1. For illustrative purposes, the top 10 ASX 100 companies, ranked by TSR, are shown plus the firms occupying each subsequent decile.

Annual report on remuneration

Contents

Role and membership of the Remuneration Committee

The Committee reviews and approves, where appropriate, the Group's remuneration plans and overall Human Resources (HR) policies and practices.

Its key responsibilities are to:

- Approve the Group's Remuneration Policy Statement and the remuneration terms and arrangements for Code Staff in accordance with the relevant regulatory remuneration codes
- Approve the policy and terms of the Group's employee and executive share incentive schemes
- Determine annually the remuneration of the Chairman, the Executive Directors and the direct reports of the Chief Executive
- Consider pay levels and employment conditions for all employees.

The full terms of reference of the Committee, which are reviewed annually, are available on the Company's website (www.henderson.com/ir).

The Committee consists entirely of independent Non-Executive Directors. In 2015, it consisted of Tim How (Committee Chairman), Sarah Arkle, Kevin Dolan and Angela Seymour-Jackson. In practice, all Non-Executive Directors, including the Chairman and the Chief Executive, attend all Committee meetings, although they do not attend if their own remuneration is under consideration.

The Committee meets regularly and takes advice on a range of matters, including the scale and composition of total remuneration payable to executives with similar qualifications, skills and experience holding similar roles and with similar levels of responsibility in comparable FTSE companies. In addition to regular agenda items in 2015, the Committee took advice on the potential remuneration impacts of the EBA guidelines on Sound Remuneration under CRD IV, FCA guidance on the implementation of UCITS V regulations in the UK, the HMRC Employee Benefit Trust settlement opportunity and market practice in relation to deferral regimes, share plans and changing pension practice and legislation.

In 2015, the Committee was supported by the Chief Financial Officer, the General Counsel, the Global Head of HR, the Head of Reward and the Chief Risk Officer. The Global Head of HR and Head of Reward attend all meetings, except when their own remuneration is under consideration.

The Committee Chairman and the Chief Executive make remuneration recommendations for the ExCo, members of which report to the Chief Executive. The Chairman is also consulted about the remuneration of the Executive Directors. The remuneration of the Chief Executive is recommended by the Committee Chairman and the Chairman, and approved by the Committee.

No Executive Director, other member of the ExCo or Non-Executive Director, is involved in any decision on their own remuneration.

The Committee held five meetings during the year. There was full attendance at all meetings.

External advisers

The Committee does not retain a formal appointed remuneration adviser although it receives consultancy advice from Deloitte LLP (Deloitte) on an ad hoc basis. Deloitte do not attend all Committee meetings. During 2015 Deloitte have provided advice to the Committee on regulatory matters, competitive market benchmarking, emerging market practices, remuneration plan design and approach to shareholder engagement activities.

Deloitte have no other connection to the Company.

Total remuneration

The tables below report the single figure remuneration for the years ended 31 December 2015 and 31 December 2014. The amounts shown represent earned remuneration in accordance with the regulations and are shown graphically in the Committee Chairman's statement on page 69.

Single total figure of remuneration – Executive Directors (audited information)

Executive Director	Base pay		Benefits		Pension		STI		LTI		Other		Total	
£'000	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Andrew Formica	**420**	403	**5**	3	**37**	18	**1,560**	1,650	**4,427**	2,176	**20**	65	**6,469**	4,315
Roger Thompson	**338**	330	**2**	1	**27**	15	**650**	650	**1,058**	741	**7**	3	**2,082**	1,740

Notes:
- Remuneration of Executive Directors and Non-Executive Directors is for the calendar year or, if applicable, from the date of appointment or to the date of resignation.
- Benefits consist of the provision of life assurance, critical illness insurance, private medical insurance and lunch allowance.
- Pension includes any additional employer contribution in respect of a Self-Invested Personal Pension and as applicable, a cash allowance taken in lieu of contribution to the Company pension scheme.
- It should be noted that, as part of a wider change covering all members of the Group defined contribution pension plan, the internal scheme earnings cap was removed with effect from 1 April 2015., such that contributions for all members, including Executive Directors, are now based on their full basic salary.
- STI is the gross annual discretionary award for the performance year before mandatory deferral is applied.
- The split of deferral between Group shares and fund interests is given on page 77.
- LTI includes LTIP awards vesting during the year (including dividend equivalents), SAYE, RSP and ESOP matching shares which vested during the year.
- Other comprises amounts paid in relation to dividends earned on beneficial interests in Company share plans.
- The 2014 figures for Andrew Formica have been restated to reflect the actual share prices on vesting of both the LTIP and ESOP awards (£2.90/£2.85 for LTIP/ESOP respectively, versus a forecast price of £2.08). The 2014 LTI figure for Roger Thompson relates to an RSP award which vested in December 2014 and therefore does not need to be restated.

Single total figure of remuneration – Chairman and other Non-Executive Directors

Non-Executive Director	Fees		Benefits/expenses	
£'000	**2015**	2014	**2015**	2014
Chairman				
Richard Gillingwater	**200**	200	**3**	4
Other Non-Executive Directors				
Sarah Arkle	**90**	90	**0**	1
Kevin Dolan	**70**	70	**7**	7
Tim How	**103**	103	**0**	0
Robert Jeens	**93**	93	**0**	0
Angela Seymour-Jackson	**70**	66	**3**	1
Kalpana Desai	**18**	n/a	**7**	n/a

Note:
- Kalpana Desai's fees reflect service since her appointment on 5 October 2015.

Fixed pay and benefits

The Chief Executive's base pay remained unchanged throughout 2015 at £420,000. The Chief Financial Officer's base pay was increased by 3% to £340,000 with effect from 1 April 2015, which was in line with average increases awarded to the wider employee population. The fixed pay shown in the table represents the amounts paid during the year.

The benefits consist of life insurance, critical illness insurance and private medical insurance, plus a lunch allowance, in line with benefits provided to other employees.

Pension entitlements and contributions

The Executive Directors participate in the non-contributory section of the Henderson Group Pension Scheme that provides defined contribution benefits on the same basis as other employees. The Chief Executive and the Chief Financial Officer are each entitled to a contribution, currently 10.5% of base pay, into the Group's defined contribution pension plan. Contributions to the Scheme were previously limited by the operation of the annual Scheme earnings cap which was £143,600 until 31 March 2015, after which, as set out in the 2014 report, the Scheme earnings cap was removed for all participants in the defined contribution plan (including Executive Directors). Due to the application of HMRC pension limits (Lifetime Allowance and Annual Allowance), both the Chief Executive and the Chief Financial Officer elected to take the cash alternative during 2015.

In 2015, the Group contributed £7,445 to Andrew Formica's pension plan in the period up to 30 April 2015 and paid a pension cash allowance of £29,400 to cover the period after that date. In addition, the Group contributed £3,770 to the Chief Financial Officer's pension plan in the period up to 31 March 2015 and paid a pension cash allowance of £22,950 to cover the period after that date.

STI for the year ended 31 December 2015

For the purpose of determining the 2015 bonus, the Committee assessed the performance of the business overall and of each of the Executive Directors.

Financial performance

The Group delivered financial results which were a significant improvement on those for 2014 – which was in itself a record year – and exceeded those set out in the 2015 business plan. This was even in the context of mixed market conditions during the year. The key financial highlights are summarised in the Committee Chairman's statement and the At a Glance section on pages 70 to 71.

The overall assessment of financial performance under the STI scorecard is a total score of 71.9% (35.9%[1] out of a possible 50% as shown in the table on page 71).

Strategic and personal contributions

During the year, the progress on business strategy exceeded expectations with a number of strategic initiatives being driven by the Executive Directors including:

- 2nd positive year of progress against the five year growth and globalisation strategy, which remains well communicated and understood by investors
- The sale of the remaining 40% stake in the TH Real Estate joint venture at an attractive price
- The build out of our Australian proposition via the acquisition of the 90 West and Perennial purchases which has increased Group AUM from Australian domiciled clients by £5.3bn or 6% of continuing Group AUM
- Strengthening of the Group's regulatory capital position from a significant deficit to a surplus, preparing the Group for the expiry of the Company's investment firm consolidation waiver in April 2016 and enabling a £25m share buyback programme which has been well received by investors
- Further strengthening of new capabilities (such as US High Yield, Emerging Markets and Agriculture) as reflected in strong investment performance and in flows within those areas.

The Executive Directors each exceeded their agreed personal objectives.

In particular, Andrew Formica has:

- Delivered on the Group's growth and globalisation strategy, with strong results across all aspects of the plan
- Maintained strong leadership, despite a senior departure during 2015, and rationalised the ExCo to enhance its cohesiveness and agility
- As Chief Executive, directed the Perennial acquisition successfully to close in November 2015
- Together with the Chief Financial Officer, been a key driver of the Company's People Strategy as reflected in consistently low turnover rates and staff engagement scores which significantly outscore sector benchmarks
- Maintained and enhanced strong and enduring relationships with regulators
- Co-chaired the Investment 2020 programme, established in 2012
- From an external perspective, played a key role within the Investment Association and been appointed as a Non-Executive Director at Hammerson plc, both of which enable him to provide valuable insights and bring external perspectives to the management of the Company.

Roger Thompson has:

- Delivered on the Group's growth and globalisation strategy, with strong results across all aspects of the plan
- Following implementation of the first phase of a new global finance platform in 2014, overseen the stabilisation and embedding of the new platform including delivery of the Purchase-to-Pay and Reporting workstreams, to materially enhance business as usual and reporting capabilities during 2015
- Together with the Chief Executive, been a key driver of the Company's People Strategy as reflected in consistently low turnover rates and staff engagement scores which significantly outscore sector benchmarks
- Successfully implemented succession plans in place for two of his senior team following their departures, managing the departures with minimum disruption to the business
- Continued to develop his good working relationship with investors and analysts, travelling globally to deliver the key messages behind the 2014 full year and 2015 interim results
- As an ambassador for Henderson, spoken at a variety of external events.

Note:
1. This represents the contribution towards the maximum STI opportunity (out of a maximum 50% relating to financial measures) = weighting x achievement x 50%.

Chief Executive		Chief Financial Officer	
Strategic contribution			**Achievement**
----------	Progress against the five year strategy ----------		Strong progress
----------	Completion of sale of remaining TH Real Estate stake ----------		Fully achieved
----------	Completion of Perennial and 90 West acquisitions ----------		Fully achieved
----------	Continuing geographical and capability expansion ----------		Strong progress
----------	Strengthening of the Company's capital position ----------		Strong progress
Overall assessment	78%	Overall assessment	78%
Weighted assessment (out of 25%)	19.5%	Weighted assessment (out of 25%)	19.5%
Personal contribution		**Personal contribution**	
Delivering against strategic plan	Exceptional	Delivering against strategic plan	Exceptional
Strong leadership contribution	Strong progress	Finance platform	Strong progress
Direction of Perennial/90 West transactions	Fully achieved	Direction of Perennial/90 West transactions	Fully achieved
Contribution to People Strategy	Exceptional progress	Contribution to People Strategy	Exceptional progress
Regulatory relationships	Strong progress	Contribution to investor relations/ communications	Strong progress
Investment 2020 programme	Strong contribution	External ambassador	Strong contribution
External insights/perspectives	Strong contribution		
Overall assessment	75%	Overall assessment	76%
Weighted assessment (out of 25%)	18.8%	Weighted assessment (out of 25%)	19%

The individual STI outcomes, relative to the maximum STI opportunity (500%/300% of base salary for the Chief Executive and Chief Financial Officer respectively) are shown graphically on the following page.

Performance 2015 – Chief Executive

Weighting	Target (50% of maximum)	Actual outcome	Threshold / Target / Maximum	Achievement vs max	Weighted achievement vs max	Contribution to bonus (% of salary)
50.0%	5%	2.1%	ROE growth	42.8%	35.9% (out of maximum of 50%)	179.7%
	5%	16.6%	Underlying pre-tax profit growth	83.2%		
	5%	16.1%	Management fee growth	80.3%		
	0.5%	0.5%	Operating margin growth	49.8%		
	70%	81.5%	Investment performance	75.6%		
	6%	15.0%	Flows	78.5%		
25.0%	n/a	n/a	Strategic objectives	78.0%	19.5% (25%)	97.5%
25.0%	n/a	n/a	Personal objectives	75.0%	18.8% (25%)	93.8%
			0 25 50 75 100		**74.2%**	**370.9%**

The Committee determined the Chief Executive's bonus against a balanced scorecard of:

- financial measures (net flows, one and three year investment performance, and growth in operating margin, underlying profit before tax, revenue and ROE); and
- non-financial measures (strategic contribution and performance against personal objectives).

The targets are set as part of the annual planning process overseen and ultimately approved by the Board. The Target represents the planned outcome for the Group with Maximum aligned with the stretch target and Threshold representing a minimum requirement for any incentive bonus to be paid. The same process is used to guide incentive decisions more widely across the ExCo.

The performance against each of these measures is set out in the graphic above. The weighted outcome of these measures as a percentage of maximum bonus opportunity (500% x salary for 2015) resulted in an aggregate bonus equivalent to 371% of salary (i.e. £1.56m) prior to any adjustments determined by the Committee at its discretion.

Performance 2015 – Chief Financial Officer

Weighting	Target (50% of maximum)	Actual outcome	Threshold / Target / Maximum	Achievement vs max	Weighted achievement vs max	Contribution to bonus (% of salary)
50.0%	5%	2.1%	ROE growth	42.8%	35.9% (out of maximum of 50%)	107.8%
	5%	16.6%	Underlying pre-tax profit growth	83.2%		
	5%	16.1%	Management fee growth	80.3%		
	0.5%	0.5%	Operating margin growth	49.8%		
	70%	81.5%	Investment performance	75.6%		
	6%	15.0%	Flows	78.5%		
25.0%	n/a	n/a	Strategic objectives	78.0%	19.5% (25%)	58.5%
25.0%	n/a	n/a	Personal objectives	76.0%	19.0% (25%)	57.0%
			0 25 50 75 100		**74.4%**	**223.3%**

The Committee determined the CFO's bonus against a balanced scorecard of:

- financial measures (net flows, one and three year investment performance, and growth in operating margin, underlying profit before tax, revenue and ROE); and
- non-financial measures (strategic contribution and performance against personal objectives).

The targets are set as part of the annual planning process overseen and ultimately approved by the Board. The Target represents the planned outcome for the Group with Maximum aligned with the stretch target and Threshold representing a minimum requirement for any incentive bonus to be paid. The same process is used to guide incentive decisions more widely across the ExCo.

The performance against each of these measures is set out in the graphic above. The weighted outcome of these measures as a percentage of maximum bonus opportunity (300% x salary for 2015) resulted in an aggregate bonus equivalent to 223% of salary (i.e. £759,000) prior to any adjustments determined by the Committee at its discretion.

In a further enhancement to prior year disclosures, the Target for each financial metric, which is the level at which 50% of the maximum bonus opportunity would be achieved, is set out in the tables above.

As part of the annual review process, the Committee considered the recommendations of the Board Risk Committee in relation to the nature, incidence and materiality of risk issues arising during the year and an overall assessment of risk management relative to the risk appetite statement. As a result of that review, the Committee determined that no adjustments were required in relation to the bonus pools (2014: adjustment of £1m), although an adjustment was applied to the vesting outcome of the 2013 LTIP (see below).

The Committee also has the discretion to adjust the final STI outcome (upwards or downwards at either an overall funding level and/or in respect of awards to specific Executive Directors) to ensure that the outcome of the STI scorecard is fair in the context of overall Group performance, business performance and individual strategic/personal objectives, or in the event that an exceptional event occurred outside of the Executive Directors' control which, in the Committee's opinion, may have materially affected the STI outcome. The Committee decided that no such adjustment was required. However, it should be noted that the Chief Financial Officer proposed that his bonus be adjusted in the interest of consistency of reward outcomes across the wider business. As a result he will receive an STI bonus of £650,000 as set out in the table below.

The awards for Executive Directors were subject to the Group's mandatory deferral policy.

The resulting STI awards (annual bonuses) for 2015 were as follows:

Executive Director	Total £'000	Cash £'000	Deferred £'000 Company shares[1]	Deferred £'000 Funds[2]	As a % of base salary	As a % of maximum opportunity
Andrew Formica	1,560.0	850.0	–	710.0	371%	74.2%
Roger Thompson	650.0[3]	395.0	127.5	127.5	191%	63.7%

Notes:

1. The deferred Company shares referred to in the table above will be awarded at a price equal to the average purchase price of the underlying shares acquired to satisfy all awards (to all participants) under the Deferred Equity Plan (DEP) immediately prior to the date of award.
2. The deferred fund interests referred to in the table above will be awarded at the unit value of the relevant fund(s) at the date that the fund investment is made (expected to be 1 April 2016).
3. Although the calculated STI award for the Chief Financial Officer was £759,000 as set out in the graphic opposite, he waived entitlement to the incremental amount relative to 2014 as referred to above.

LTI vesting in respect of performance periods ended in 2015

The performance period for the 2013 LTIP ended on 31 December 2015. The table below shows the calculation to determine the percentage vesting based on the TSR result over the performance period. This accounts for vesting of 95% of the award. The Committee was satisfied that this reflected the financial and operating performance of the business over the period. In addition, the Committee assessed performance against a range of risk and sustainability measures which account for the other 5% of the award and determined that this element should be reduced to 3% of the maximum 5% available. This reflects the Committee's recognition of a small number of legacy control and governance issues which have been identified and addressed (or are in the process of being addressed). The responsibility for these shortcomings ultimately rests with the senior cadre of the firm who make up the material proportion of participants within this plan, and it was concluded that the timing of these legacy issues correlated with the performance period of the 2013 LTIP. Therefore, the Committee felt that a reduction in the element relating to the risk and sustainability metrics was justified.

Metric	Condition	Threshold target	Stretch target	Actual	% vesting
Relative TSR	TSR vs FTSE General Financials	25% at 50th percentile	100% at 75th percentile	90th percentile	95%
Risk and sustainability	Subjective assessment by the Committee, taking in to account the recommendations of the Board Risk Committee, across a range of risk and sustainability metrics				3%
Total (% of maximum)					98%

The table below shows the vesting details of the 2013 LTIP for Andrew Formica and Roger Thompson. The awards vest on 6 April 2016. The value of the vested shares is based on a share price of £2.88, this being the average share price during the last quarter of 2015 in accordance with the regulations. Any material change to the valuation based on the actual share price as at 6 April 2016 will be disclosed in the Directors' remuneration report for 2016.

Executive Director	Number of options at grant	Number of options vested	Number of lapsed options	Vesting share price (£)	LTIP value (£'000)	Value of dividends accrued on vested shares (£'000)	Total value (£'000)
Andrew Formica	1,050,000	1,029,000	21,000	2.88	2,966	259	3,225
Roger Thompson	350,000	343,000	7,000	2.88	989	69	1,058

Note:

- In addition to the vested award under LTIP 2013, the single figure disclosure (£4,427,375) for Andrew Formica set out in page 73 in this report includes matching shares vesting under ESOP 2011 of £1,183,420, being 410,540 shares at a share price of £2.88 and gain on options vesting under Sharesave 2012 of £18,973 being 9,736 options with an option gain of £1.95 per option.

LTI awards made during 2015

Under the LTIP, the Committee may make awards to Executive Directors up to a maximum number of ordinary shares determined by the Committee at the date of grant. Vesting of awards is partly after three years (2/3 of initial award) and partly after four years (1/3 of initial award). Under the 2015 LTIP, the vesting of awards is subject to the achievement of relevant performance targets over the measurement period, and continued employment. Vested shares under the plan are subject to additional holding periods (two years for the first vested tranche and one year for the second vested tranche) such that the minimum period between grant and release is five years. Vested awards must be exercised any time within the holding period or the following five years, otherwise the award automatically lapses.

The performance measures under the 2015 LTIP are:

- TSR performance measured equally against the FTSE 350 and the ASX 100 (50% in aggregate)
- Net flows (15%)
- Three year investment performance (15%)
- Growth in operating margin (10%)
- Success in execution of the People Strategy (10%).

In addition, the Committee must be satisfied that the above performance conditions appropriately reflect the Company's underlying financial performance over the measurement period.

The Committee has the power to vary or lapse individual unvested awards in cases of poor risk management, or where results have been misstated or where there has been serious misconduct, a material failure in risk management or a downturn in financial performance. The Committee also has the ability in certain cases to claw back vested awards.

In 2015, the following LTI awards were granted to Executive Directors:

Executive Director	Type of award	Basis of award (% of salary)	Share price (£)	Number of options granted	Face value of award (£'000)	% of face value that would vest at threshold performance	Vesting determined by performance over
Andrew Formica	Nil priced options	500%	2.793	751,879	2,100	25%	2015-2017 (2/3) 2015-2018 (1/3)
Roger Thompson	Nil priced options	300%	2.793	354,457	990	25%	2015-2017 (2/3) 2015-2018 (1/3)

Notes:

- Our policy for LTIP awards to our Executive Directors is, other than where a material performance or other concern was present, to grant LTIP options at the maximum face value permitted under the shareholder approved plan (i.e. at 500% and 300% of base salary for the Chief Executive and Chief Financial Officer respectively) to maximise their alignment with the long-term interests of the Company and its shareholders.
- The face value of the award is based on the share price at the date of award (£2.793).
- The LTIP awards made to the Chief Executive and the Chief Financial Officer on 1 May 2015 were in the form of nil priced options. This gives them rights over shares at the time of vesting subject to the satisfaction of relevant performance conditions over the plan measurement period.
- The resulting value of the award will be based on the number of options that vest and the prevailing share price at the point of vesting.

Year-on-year percentage increase in the remuneration of the Chief Executive

This table reports the year-on-year percentage change in the remuneration of the Chief Executive between 2015 and 2014 compared to that of the average employee. For comparative reasons, STI for the average employee population includes annual bonus, sales commission, performance fees and investment incentive schemes.

Employee	Salary	Benefits	STI
Andrew Formica	0%	67%	(5%)
Average employee	3%	12%	6%

Notes:

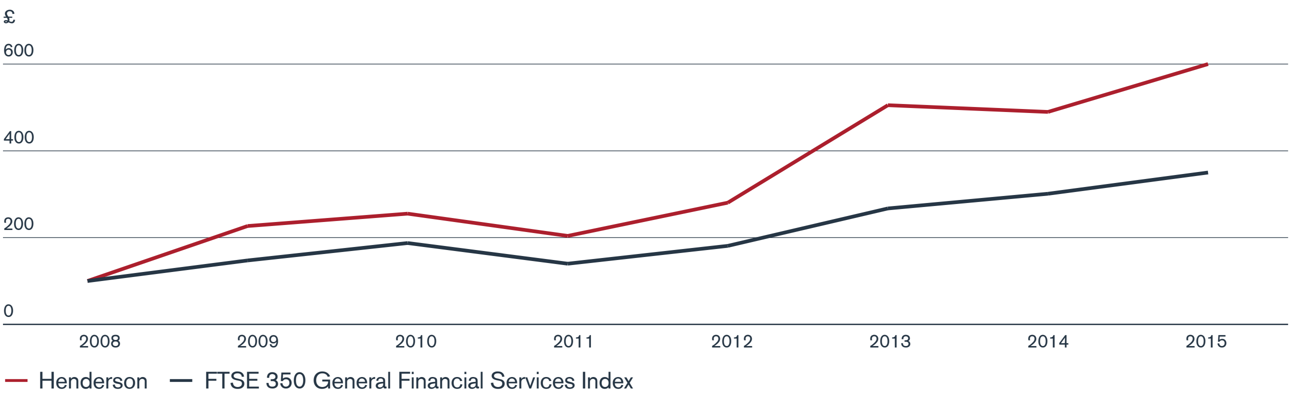
- Average employee data has been calculated by dividing the annual costs, excluding the Chief Executive, by the average number of staff employed during the year.
- Benefits above include provision of life assurance, critical illness insurance and private medical insurance and lunch allowance – the apparent high percentage increase in the value of benefits provided to the Chief Executive reflects the material increase in the critical illness premium, which partly reflects the general increase in the policy premium plus an adjustment to reflect the Chief Executive's salary increase awarded in 2014. In absolute terms, the increase is small (i.e. £5,483 in 2015 vs £3,285 in 2014).
- For the average employee, this percentage change reflects the impact on benefit costs of increased salaries, increases to the private medical insurance premium and the increase in lunch allowance – on a per capita basis, the absolute increase is small (i.e. average of £1,307 in 2015 vs £1,171 in 2014).

The Committee continues to believe that shareholders' interests are best served by ensuring that a significant proportion of variable pay is performance related. Across the wider business, STI has marginally increased relative to that for 2014 to reflect continuing strong business performance in 2015. Despite this strong performance, the STI awarded to the Chief Executive is marginally reduced (-5%) relative to that for 2014, which reflects his reduced maximum STI opportunity (reduced from 600% to 500% of base salary in respect of the 2015 performance year) offset by the increased financial and non-financial assessment scores in respect of his STI scorecard.

Total Shareholder Return (TSR) performance

This graph provided by Towers Watson (calculated using Datastream data and according to a methodology that is compliant with the UK Companies Act) shows Henderson's performance against the FTSE 350 General Financial Services Index over the last seven years based on the change in the value of a hypothetical £100 holding since December 2008:

Total Shareholder Return



Chief Executive remuneration over last seven years

The total remuneration of Andrew Formica as Chief Executive for the last seven financial years is shown in the following table. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in each year. The LTIP vesting figures show the pay-out for each year as a percentage of the maximum.

	2009	2010	2011	2012	2013	2014	**2015**
Total remuneration (£'000)	2,205	3,516	6,420	2,802	4,989	4,315	**6,469**
STI % maximum	50%	66%	71%	43%	79%	65%	**74%**
LTIP % maximum vesting	100%	100%	100%	0%	78%	43%	**98%**

Relative importance of the spend on pay

The following table shows the year-on-year movement in total remuneration of all employees compared to the increase in dividends paid and declared on ordinary shares:

	2014 £m	**2015 £m**	% change
Cost of remuneration of all employees (continuing operations)[1]	233.4	**273.0**	17
Dividends on ordinary shares	101.8	**116.0**	14
Profit after tax attributable to owners of the parent (continuing operations)[2]	126.9	**161.2**	27

Notes:

1. The figure for cost of employee remuneration for 2014 in the table above excludes remuneration for employees transferred to TH Real Estate on 1 April 2014 (£9.6m).
2. The figure in the table above for profit after tax attributable to owners of the parent for 2014 excludes:

- A non-recurring gain of £125.3m on the TIAA-CREF transactions; and
- Profits after tax of £6.3m arising in the first quarter of 2014 from the discontinued Property business that transferred to TH Real Estate on 1 April 2014. Including these items, the profit after tax for 2014 would be £258.5m – an excess over 2015 of 38%.

How the policy will be applied in 2016

Base salary

The Committee has generally taken a restrained approach to base salary increases, and only made changes where it feels there is a material misalignment with the market, and in the context of good performance. The average percentage increase to base salaries across the Group which will be awarded as part of the 2016 compensation review is 3%.

It is proposed to increase the Chief Executive's and Chief Financial Officer's salaries to £432,500 and £350,000 respectively – in both cases an increase of 3% which is in line with the average salary increase across the general workforce.

The Committee takes the issue of pay discipline very seriously and firmly believes that while base pay should be set at a reasonable level, it takes equally seriously the need to retain high-performing executives by ensuring that their pay is competitive. Getting this balance right is clearly in the interests of shareholders.

Executive Director	2015	**2016**	Increase
Andrew Formica	£420,000	**£432,500**	3%
Roger Thompson	£340,000	**£350,000**	3%

Fees for the Board Chairman and other Non-Executive Directors

The table below shows the annualised fees payable to the Chairman and other Non-Executive Directors in 2015. Following a comprehensive review of fee levels across our immediate listed peer group and FTSE 100 and FTSE 250 benchmarks, modest increases to the current fee rates are proposed with effect from 1 January 2016. Prior to the increases highlighted in the table below, the Chairman's and other Non-Executive Directors' fee rates had been unchanged since 1 January 2014. The proposed increases are as follows:

- The Chairman's fee to be increased by 10% (5% on an annualised basis since the last increase at the beginning of 2014); and
- Other Non-Executive Directors' fees to be increased on average by 6.4% (annualised increase 3.2% since the last increase in 2014).

The table below also reflects a forecast of the annualised fees payable in 2016, taking into account the proposed increases:

£	Board Chairman	Base fee	Senior Independent Director fee	Committee Chair	Committee member	Total 2015	**Proposed Total 2016**	Proposed increase (annualised)
Chairman								
Richard Gillingwater	200,000					200,000	**220,000**	5.0%
Other Non-Executive Directors								
Sarah Arkle		60,000		20,000	10,000	90,000	**96,500**	3.6%
Kevin Dolan		60,000			10,000	70,000	**74,000**	2.9%
Tim How		60,000	12,500	20,000	10,000	102,500	**109,000**	3.2%
Robert Jeens		60,000		22,500	10,000	92,500	**99,000**	3.5%
Angela Seymour-Jackson		60,000			10,000	70,000	**74,000**	2.9%
Kalpana Desai		60,000			10,000	70,000	**74,000**	2.9%
Total	**200,000**	**360,000**	**12,500**	**62,500**	**60,000**	**695,000**	**746,500**	**3.7%**
Other Non-Executive Directors only								**3.2%**

Notes:
- The increases proposed above are: Base fee £62,500 (2015: £60,000); Committee Chair fee £22,500 (2015: £20,000); and Committee member fee £11,500 (2015: £10,000).
- The Chair of the Audit Committee's fee includes an additional fee of £2,500 for responsibility for the Conflicts of Interest Committee, a sub-committee of the Audit Committee.
- The figures for 2015 above are annualised – for Kalpani Desai (appointed 5 October 2015), the actual fees received during the year were £17,500.

Performance targets for STI and LTI awards to be granted in 2016

For 2016, the annual bonus will continue to be based on performance against a scorecard of financial targets and the achievement of non-financial objectives, as detailed in the remuneration policy[1], which are illustrated on pages 73 and 77 respectively. The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. However, retrospective disclosure of performance will be disclosed in the 2016 Annual report on remuneration.

The main KPIs taken into account are:

- Growth in underlying profit, ROE and operating margin[2] and revenue (management fees only), indicative of meeting our shareholders' expectations for profitable growth and strong financial control
- Net new business growth, indicative of our success in delivering investment performance and service, but also in delivering appropriate products which meet our clients' long-term investment needs
- Proportion of funds which outperform, indicative of our success in delivering excellent investment performance to our clients and a key driver in our objective of growing long-term, stable AUM and to grow sustainable revenues streams.

The Committee has decided to adopt the same measurement and vesting periods for the 2016 LTIP as applied to the 2015 LTIP, with:

- two thirds of the award being eligible to vest after three years subject to the plan performance over a three year measurement period; and
- one third of the award being eligible to vest after four years, subject to the plan performance over a four year measurement period.

Each tranche of the award will be subject to additional holding periods (two years in respect of the first tranche and one year in respect of the second tranche), such that the period between award grant and ultimate release will increase to five years, thereby aligning participant and shareholder interests over a five year period.

Notes:
1. The remuneration policy, though not included with this year's report, can be read at www.henderson.com/ir/content/corporate-governance-ir
2. These measures exclude performance fee revenues and all variable compensation.

The performance measures associated with the 2016 LTIP are set out below:

Measure	Weighting	Detail		Rationale
Relative TSR (measured equally against the FTSE 350 and the ASX 100)	50%	<50th percentile 50th percentile >75th percentile	0% 25% 100%	TSR remains a key measure of shareholder value creation. The choice of comparator indices seeks to encourage outperformance against the key indices relevant to our major UK and Australian shareholders, accounting for 89% of our total shareholder base. Previous practice of using a more bespoke comparator group has been replaced due to the relatively small number of relevant listed peers which could result in outcomes being highly volatile by reference to under-/over-performance, or consolidation activities, of a small number of comparators in the peer group. In addition, the Committee must be satisfied that the TSR outcome reflects the Company's underlying financial performance.
Net fund flows	15%	Average annual flows between 3.5% (25% vest) and 7% (100% vest) over the relevant performance period.		Key component of our five year growth and globalisation strategy is to double AUM over that period – positive fund flows are integral to achievement of this objective.
Three year investment performance	15%	Performance relative to relevant benchmarks of 55% (25% vest) and 70% (100% vest) over the relevant performance period.		Long-term investment performance is key to increasing AUM and increasing profitability.
Growth in operating margin	10%	Average annual improvement by 0.5% (25% vest) and 1% (100% vest) over the relevant performance period.		Our five year strategy is focused on growth and globalisation and in addition to doubling AUM, requires us to: ▪ increase efficiency (growth in operating margin); and ▪ maximise the retention, development and motivation of our people, who are the Company's greatest asset. The strategic measures have been chosen by the Committee as key elements in ensuring the success of the strategy.
People Strategy	10%	Assessment by the Committee of performance against our objective of recruiting, retaining, incentivising and developing our key employees, including assessment of culture and conduct, retention and employee engagement metrics and strength of our succession planning and execution.		

Note:
- Between Threshold and Maximum performance, awards vest between 25% and 100% on a straight-line basis.

Outstanding LTI and other share scheme awards

The table below shows the vesting results of LTIP awards for 2011 to 2013. The 2014 and 2015 plans may vest, depending on performance over the measurement period, in 2016 and 2017 (2014 LTIP) and 2017 and 2018 (2015 LTIP) respectively. The table also shows the outstanding interests of Executive Directors in these plans.

	2011 LTIP	2012 LTIP	2013 LTIP	2014 LTIP	2015 LTIP
Awards made	March 2011	March 2012	March 2013	May 2014	May 2015
Performance period	2011-2013	2012-2014	2013-2015	2014-2016 (2/3) 2014-2017 (1/3)	2015-2017 (2/3) 2015-2018 (1/3)
Performance criteria	TSR vs FTSE General Financials Below 50th = zero	TSR vs FTSE General Financials (95%) Risk and sustainability (5%) Below 50th = zero			As set out in the table on page 81
	At 50th = 25% Above 75th = 100% Straight line between these points	At 50th = 25% Above 75th = 100% Straight line between these points			
Vesting dates	1 March 2014	6 April 2015	6 April 2016	1 April 2017 (2/3) 1 April 2018 (1/3)	1 April 2018 (2/3) 1 April 2019 (1/3)
Exercise by	1 March 2019	6 April 2020	6 April 2021	1 April 2022 (2/3) 1 April 2023 (1/3)	1 April 2025 (2/3) 1 April 2025 (1/3)
Outcome	TSR of 86% 68th percentile 78% vested	TSR of 116% 55th percentile 43% vested	TSR of 171% 90th percentile	Performance period not complete	Performance period not complete
Vesting date share price	£2.54	£2.90	£2.88	n/a	n/a

Executive Director	Plan	Type	2013 award vests 2016	2014 award vests 2017/18	2015 award vests 2018/19	Interest at 31 December 2015
Andrew Formica	LTIP	Options	1,050,000	790,000	751,879	2,591,879
Roger Thompson	LTIP	Options	350,000	372,500	354,457	1,076,957

Notes:

- The share price shown for the 2013 LTIP is the average share price during the last quarter of 2015.
- The 2013 LTIP will vest on 6 April 2016 with a vesting percentage of 98%.

The table below shows the Executive Directors' outstanding interests in the Group share schemes at 31 December 2014 and 2015, together with the additional interests in shares held beneficially by the Executive Directors outside of the Group share schemes.

It includes the movements in the employee and executive share plans during 2015.

				Movement during year					
Executive Director	Plan	Type	Interest at 31 December 2014	Awarded	Vested 2015 not exercised	Vested 2015 and exercised	Vested in previous years and exercised	Lapsed	Interest at 31 December 2015
Andrew Formica	SAYE	Options	13,941	3,964		9,736			8,169
	BAYE	Shares	57,477	4,001					61,478
	DEP/ESOP	Shares	410,542	102,635		307,905			205,272
	LTIP	Options	3,240,000	751,879		602,000		798,000	2,591,879
Total outstanding interests in Group share schemes									2,866,798
Total shares held outright outside of Group share schemes									6,721,414
Total interests in Group shares									**9,588,212**
Roger Thompson	BAYE	Shares	2,961	2,127					5,088
	LTIP	Options	722,500	354,457					1,076,957
	DEP	Shares	37,549	44,289		12,516			69,322
	SAYE	Options	8,411						8,411
Total outstanding interests in Group share schemes									1,159,778
Total shares held outright outside of Group share schemes									188,239
Total interests in Group shares									**1,348,018**

Directors' personal shareholding and beneficial share interests

Over time, each Executive Director is required to maintain a personal target shareholding equivalent to 300% of base salary (excluding unvested interests in Company share schemes). Andrew Formica has achieved this target. Roger Thompson, who was appointed Chief Financial Officer on 26 June 2013, currently holds shares with a value equivalent to 159% (2014: 114%) of base salary, and is expected to achieve the 300% target over time.

The table below shows the financial value of the personal holding as a multiple of base salary as at 31 December 2015:

Executive Director	Value (£'000)	Multiple of base salary (rounded)
Andrew Formica	19,357	46
Roger Thompson	542	2

Note:

- Based on share price of £2.88, being the average over the three months prior to the end of 2015.

There is no personal target shareholding requirement for Non-Executive Directors.

Shares personally held

As at 10 February 2016, 31 December 2015 and 31 December 2014, the Directors had the following beneficial interests in shares in the Company:

	10 Feb 2016	**31 Dec 2015 (or date of appointment)**	31 Dec 2014 (or date of appointment)
Executive Directors			
Andrew Formica (Chief Executive)	6,721,414	**6,721,414**	6,721,249
Roger Thompson (Chief Financial Officer)	188,239	**188,239**	181,606
Chairman and Non-Executive Director			
Richard Gillingwater	15,000	**15,000**	15,000
Other Non-Executive Directors			
Sarah Arkle	20,663	**20,663**	20,663
Kevin Dolan	3,083	**3,083**	3,083
Tim How	11,780	**11,780**	11,780
Robert Jeens	14,694	**14,694**	14,694
Angela Seymour-Jackson	11,082	**11,082**	11,082
Kalpana Desai (appointed 5 Oct 2015)	–	**–**	–
Total	6,985,855	**6,985,855**	6,979,157

Note: Directors' figures include interests of connected persons.

Payments within the year to past Directors

Payments made to past Directors during 2015, in relation to awards vesting under relevant Company share plans, are set out in the following table:

Executive Director	Plan	Type	Vested	Lapsed	Value vested (£)
Shirley Garrood	LTIP	Options	193,500	256,500	578,017
	ESOP	Shares	19,585	–	55,941
	DEP	Fund units	71,903	–	236,076
David Jacob	DEP	Shares	6,979	–	16,952
	DEP	Fund units	113,268	–	269,888
	LTIP	Shares	143,333	190,000	412,626
	ESOP	Shares	20,680	–	59,068
James Darkins	DEP	Shares	5,177	–	14,100
	DEP	Fund units	144,093	–	226,815
	LTIP	Options	215,000	285,000	618,940
	ESOP	Shares	10,283	–	29,371

External directorships

Andrew Formica is a member of the Board of the Investment Association and, until his resignation on 1 June 2015, was a member of the Board of TIAA Henderson Real Estate Limited. He received no remuneration for either of these roles. On 26 November 2015, he became a Non-Executive Director of Hammerson plc. In 2015, he was remunerated £5,692 for this role.

Statement of shareholder voting

At last year's AGM held on 30 April 2015, the Directors' remuneration report received the following votes from shareholders:

	Directors' remuneration policy		Prior year		Directors' remuneration report		Prior year	
Votes cast in favour	664,781,669	84.2%	561,937,891	72.2%	672,179,298	85.4%	698,574,933	89.7%
Votes cast against	123,355,647	15.6%	216,129,042	27.8%	115,986,335	14.6%	79,883,565	10.3%
Votes at proxy's discretion	1,616,979	0.2%	–	–	1,621,804	0.2%	–	–
Total votes cast	789,754,295	100.0%	778,066,933	100.0%	789,769,437	100.0%	778,458,498	100.0%
Abstentions	737,070	–	13,254,986	–	721,148	–	12,794,480	–

The Committee was encouraged by the material increase in the positive voting for the remuneration policy relative to that in 2014. The Committee has analysed the reasons for the negative voting above and believe it arises in relation to two key factors, mainly in relation to its Australian shareholder base, these being:

- Material differences in market pay levels for the chief executives within the European asset management sector (against whom our Chief Executive's pay is benchmarked) and those within the Australian financial sector
- The degree of stretch implicit in the threshold, target and maximum targets of the LTIP programme.

The Committee has sought to engage on, and provide rationale to, these matters via correspondence with major shareholders (and proxy voting agencies) and with face-to-face discussions where appropriate. The Committee believes that its policy and decisions in this regard are appropriate for the Company, are reflective of the continued strong performance of the Company, and appropriately balance and align the interests of Executive Directors and shareholders. The Committee anticipates similar, or increased, levels of support for the 2015 Directors' remuneration report.

Compliance statements and application of principles and recommendations

The Company is subject to the high standards of corporate governance contained in both the UK Corporate Governance Code issued by the FRC in September 2014 (UK Code) and the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in March 2014 (ASX Principles). The UK Code and the ASX Principles can be found on the websites of their respective organisations at www.frc.org.uk and www.asx.com.au. The Company's corporate governance policies can be found on our website.

Throughout the year, the Company applied the main principles of the UK Code and the ASX Principles and Recommendations. The Company has complied with all the provisions of the UK Code and the ASX Recommendations as set out in the Corporate Governance Statement except in regard to the setting and disclosure of gender diversity targets as set out in ASX Recommendation 1.5. The reasons for non-compliance are set out on page 58.

This section, together with the Directors' remuneration report, describes how we applied the 'main principles' set out in the UK Code and complied with the ASX Principles. Further details can be found in the Corporate Governance section of our website. The ASX Principles also encourage companies that are not subject to the Australian Corporations Act 2001 to adopt practices and make disclosures to achieve the aims of the provisions contained in certain sections of that Act.

We achieved the aims of some of the provisions, although not fully on senior executives' remuneration. Our disclosure of individuals' remuneration is limited to the Executive Directors who were members of the Board in 2015. Disclosure of the remuneration of non-directors is not a requirement in the UK and we consider this information to be commercially sensitive. However, we have disclosed the aggregate annual remuneration of FCA Code Staff on our website at www.henderson.com/ir

Compliance with the UK Corporate Governance Code

Set out below is the Board's assessment of the Company's compliance with the main principles of the UK Code.

A. Leadership

A.1 The role of the Board

The Board is responsible for making all key strategic, management and commercial decisions which are necessary for the conduct of the Company's business as a whole, including the approval of corporate strategy, annual budgets, interim and full year financial statements and reports, dividends, accounting policies and all significant capital projects, acquisitions and disposals. The Chief Executive and the ExCo are responsible for developing the appropriate business strategy and, once approved by the Board, for ensuring that the strategy is effectively implemented in accordance with the approved operating plan and within a sound system of internal controls to achieve agreed objectives. A schedule of matters reserved for approval by the Board is reviewed annually and is also on our website. The Board has granted specific delegated authorities (with financial limits approved by the Board) to the Chief Executive, the Chief Financial Officer and other senior executives in respect of financial, accounting, treasury, regulatory and other matters relating to the Group's business and these were reviewed and updated during 2015. A number of other Committees have been appointed to manage aspects of our business and form part of the risk management framework that monitors and mitigates the risks and uncertainties.

See pages 54 and 55 for a description of Board business and activities in 2015.

A.2 Division of responsibilities

There is a division of responsibility between the Chairman, who is responsible for leading the Board and ensuring its effectiveness, and the Chief Executive who is responsible to the Board for the overall management and performance of the Group. A summary of the roles of the Chairman and the Chief Executive is set out in the Corporate Governance Policy on our website.

A.3 The Chairman

The Chairman provides the appropriate leadership to the Board as demonstrated by the recent Board evaluation and ensures its effectiveness on all aspects of its role. He also holds meetings to discuss and agree the setting of its agenda to ensure that all matters are considered and provided with sufficient time according to their importance. See pages 54 to 56 for a summary of the Board evaluation and the activities of the Board.

A.4 Non-Executive Directors

The Chairman is committed to making certain that the Board devotes enough time to consider the Group's strategy and its link to the business. At the end of each Board meeting, a discussion is held with the Non-Executive Directors to ensure that matters are being considered and addressed to their satisfaction. The Non-Executive Directors are given the opportunity to question and challenge any initiatives and proposals from management on a regular basis.

B. Effectiveness

B.1 The composition of the Board

The Nomination Committee reviews the mix of diversity, skills and experience on the Board and succession planning for the Non-Executive Directors. See pages 57 and 58 for a summary of the activities of the Committee. Directors' biographies are set out on pages 52 to 53. See page 53 for a summary of independence of Directors on the Board and page 56 for a further summary of skills and experience.

B.2 Appointments to the Board

The Nomination Committee makes recommendations to the Board when appointing new Directors. A summary of any appointment process is also reported when applicable. See page 57 for an overview of the induction process for Kalpana Desai. A summary of our policy on the appointment and reappointment of Directors is on our website, as is a summary of the terms and conditions of their appointment.

B.3 Commitment

Directors are notified of the time commitment expected from them in their letters of appointment and reappointment. The schedule of Board and Committee meetings is prepared and agreed two years in advance where possible, to ensure that the Directors are aware of and can meet their commitments.

B.4 Development

Regular training sessions to update Directors' skills and knowledge of the business and regulatory matters when appropriate are held during the year and details are set out on page 56. See page 57 for an overview of the induction process for Kalpana Desai.

B.5 Information and support

The Chairman, Chief Executive and Chief Financial Officer hold agenda-setting meetings before each Board meeting to review the items of business, the likely time to be spent on each agenda item, who should present particular items and to ensure that appropriate papers are provided. These are provided both in hard copy and in a secure format electronically as requested by the Directors in advance of Board and Committee meetings.

B.6 Evaluation

The Board carries out an internal evaluation exercise of its own performance and that of its Committees and individual Directors on an annual basis. Every three years, an external evaluation specialist is appointed to carry out the process and report to the Board. The last external evaluation was undertaken in 2014. The results of the 2015 evaluation are set out on page 56.

B.7 Re-election of Directors

Non-Executive Directors are initially appointed for a fixed term, normally three years, and any subsequent terms are considered by the Board. If a Non-Executive Director is reappointed after having served six years, such reappointment, and any subsequent reappointment, will normally be for a period of 12 months. At our AGM held on 30 April 2015, shareholders reappointed Sarah Arkle, Kevin Dolan, Andrew Formica, Richard Gillingwater, Tim How, Robert Jeens, Angela Seymour-Jackson and Roger Thompson as Directors. Our next AGM is due to take place on 28 April 2016 in London, when all Directors on the Board at that date will be seeking reappointment in accordance with the recommendations of the UK Code.

C. Accountability

C.1 Financial and business reporting

The Audit Committee reviews the Annual Report which sets out the Company's position and prospects to ensure that it is fair, balanced and understandable, to assist the Board in making their decision. Further detail regarding this process is set out on pages 62 and 63.

C.2 Risk management and internal control

The Board Risk Committee considers the Group's risk appetite statement and risk management framework. Further details are set out on pages 59 to 61. The Audit Committee considers the system on internal controls and the annual internal controls report and further information is set out on pages 59 and 64.

C.3 Audit Committee and auditors

The Board has in place a framework of formal and transparent arrangements to apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors. A description of these arrangements can be found in the relevant Board Risk and Audit Committee reports on pages 60 to 61 and 62 to 65 respectively.

D. Remuneration

D.1 The level and components of remuneration

Details of the Executive Directors' remuneration and how this promotes the long-term success of the Company is set out in the the Directors' Remuneration Report on pages 67 to 84. The Remuneration Policy was approved by shareholders at the 2015 AGM.

D.2 Procedure

The Group's approach to setting remuneration policy is set out in the Remuneration Policy, as approved by shareholders at the 2015 AGM. For ease of reference, a summary of the Company's key remuneration principles and remuneration elements is also set out in the Directors' Remuneration Report.

E. Relations with shareholders

E.1 Dialogue with shareholders

We actively engage with investors and investor bodies and welcome the opportunity to discuss their views on relevant issues. The Board also receives regular feedback from the Investor Relations team and the Executive Directors about investors' and analysts' views on the Group and wider industry matters.

We publish our financial results on both the LSE and the ASX. The 2014 Annual Report was sent to all shareholders that had requested it and all other shareholders were notified, via post or email, that the 2014 Annual Report was available on our website.

More information regarding dialogue with our shareholders is set out on page 66.

E.2 Constructive use of General Meetings

The AGM provides our shareholders with an opportunity to question the Board and the Chairman invites questions during the course of the meeting. All shareholders were invited to the AGM held on 30 April 2015, held in London and simultaneously broadcast to Sydney, Australia. All Directors attended the AGM. Notice of the AGM was given to shareholders and a summary of the questions asked at the AGM and the answers given, together with the results of resolutions put to the AGM, are on our website.

Compliance with the ASX Corporate Governance Principles and Recommendations

Principle 1 – Lay solid foundations for management and oversight

1.1 Role of the Board and delegation of responsibilities

See pages 54 and 85 for a description of the role of the Board and delegation of responsibilities. In addition, a copy of our Corporate Governance Policy, which sets out the roles of the Board and the Directors, is on our website.

1.2 Appropriate checks undertaken when appointing Directors and information relevant to the appointment of Directors

As the Group has a number of subsidiaries which are regulated, the appointment of every Director to the Board of Henderson Group plc is subject to pre-approval from the FCA before such an appointment can be made. Biographies for each of the Directors are set out on pages 52 and 53.

1.3 Terms of appointment

The terms of appointment for Non-Executive Directors are set out in their letters of appointment, an example of which is available on the website. The Executive Directors and senior executives have service contracts.

1.4 The Company Secretary

Jacqui Irvine, the General Counsel and Company Secretary, is directly accountable to the Board and all Directors have access to her services. The Company Secretary can be appointed or removed only with the approval of the Board. The Directors are entitled to seek independent professional advice, at the Company's expense, where they judge it necessary for them to discharge their responsibilities.

1.5 Diversity policy and objectives

A copy of our Diversity Policy is on our website. Page 43 contains the relevant proportions of men and women on the Board, ExCo and across the whole organisation. See page 58 for our diversity disclosures and the reasons why Henderson does not set diversity targets.

1.6 Evaluation of the Board

See page 56 for further information regarding our Board evaluation process.

1.7 Evaluation of senior executives

See page 56 for further information regarding the evaluation of our senior executives. A copy of the policy is available on our website.

Principle 2 – Structure the board to add value

2.1 Nomination Committee

See pages 57 and 58 for a description of the activities of the Nomination Committee. Terms of reference of the Committee are available on the website. Committee attendance is set out on page 55.

2.2 Board skills matrix

Page 56 contains a summary of the skills and experience of each of the Directors. A note on Henderson's policy on diversity is set out on page 58. A skills matrix is also reviewed on an annual basis by the Nomination Committee.

2.3 Independence of Directors

See page 53 for a summary of the independence of Directors. Dates of appointment are set out on page 55. In addition, page 58 sets out the tenure of the Non-Executive Directors.

2.4 A majority of the board of a listed entity should be independent directors

Independent Non-Executive Directors constitute a majority of the Board. See page 53 for a summary.

2.5 Independence of the Chairman

See page 53 for a summary of the independence of Directors and the Chairman.

2.6 Induction and training

See page 57 for an overview of the induction process for Kalpana Desai. Regular training sessions to update Directors' skills and knowledge of the business and regulatory matters when appropriate are held during the year and details are set out on page 56.

Principle 3 – Act ethically and responsibly

3.1 Code of Conduct

A copy of the Code of Conduct, which is applicable to all members of the organisation, is available on the website.

Principle 4 – Safeguard integrity in corporate reporting

4.1 Audit Committee

A description of the activities of the Audit Committee is set out on pages 62 to 65. Terms of reference of the Audit Committee are available on our website. Committee attendance is set out on page 55.

4.2 Chief Executive and Chief Financial Officer Declaration

The Chief Executive and Chief Financial Officer's declaration to the Board is set out on page 59.

4.3 External auditors and AGM

The external auditors will be asked to attend the Company's AGM on 28 April 2016 and will be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the independent auditors' report as shown on pages 92 to 98.

Principle 5 – Make timely and balanced disclosure

5.1 Market Disclosure Policy

A copy of the Group's Market Disclosure Policy is available on our website. In addition, the Company has a Market Disclosure Committee which supports the Company Disclosure Officer (the Chief Financial Officer) and ensures that full consideration is given to the appropriateness, quality and adequacy of material information that is released to the market by the Group and that there is an adequate system in place for the timely disclosure of all material information to the ASX and UK Listing Authority and other authorities. It advises the Board members where the Committee considers there is an obligation to disclose information in accordance with the Group's continuous disclosure obligations. The Committee meets regularly and reviews the status of projects and the employee insider list as well as some other materials that may be published internally or externally from time to time.

The Company also has a Share Trading Policy (available on our website) which sets out a procedure and situations when the Directors and employees of the Company can and cannot deal in shares in Henderson Group plc.

Principle 6 – Respect the rights of security holders

6.1 Online information

Our website provides online services, which includes a Corporate Governance page, to help shareholders manage their holding and engage with the Investor Relations team and Share Registry. To assist shareholders in accessing up-to-date information on the Group, market briefings and other Company announcements and presentations are available on our website as well as the other policies required by the UK Code and ASX Principles, including the Company's Market Disclosure and Communication and Shareholder Communication Policies.

6.2 Investor Relations programme

Information regarding our Investor Relations programme with our shareholders is set out on page 66.

6.3 Policies and processes to facilitate and encourage participation at meetings of security holders

Henderson's approach to communicating to shareholders and our markets is set out in the Market Disclosure and Communication Policy, designed to ensure compliance with our disclosure obligations. A Chief Disclosure Officer has been appointed to oversee this via the Market Disclosure Committee as set out in 5.1 above.

6.4 Electronic communications

E-mail details for the Investor Relations team and Computershare, the Registrar, can be found on our website.

Computershare routinely sends a 'Deemed Consent' mailing. This gives the option for shareholders to opt for electronic (E-comms) or full hard copy communications. If they do not reply, the shareholder is 'deemed' to have opted for a reduced hard copy mailing and will receive paper shareholder documents (dividend tax vouchers) but they are notified that company documents (Annual Reports etc.) can be found online. This preference can be changed at any point by phoning, writing to or e-mailing Computershare. A shareholder can also make these changes themselves online on the Investor Centre.

Principle 7 – Recognise and manage risk

7.1 Board Risk Committee

A description of the responsibilities of the Board Risk Committee and our risk management framework is set out on pages 60 to 61 and 23 to 25 respectively. Terms of reference of the Committee are available on our website. Committee attendance is set out on page 55.

7.2 Risk Management Framework

Our risk management framework is set out on pages 23 to 25. Disclosures relating to the review of the risk management framework are set out on page 59.

7.3 Internal Audit Function

Disclosures relating to the Internal Audit Function are included on page 65.

7.4 Risks and Sustainability

A description of our principal risks and uncertainties can be found on pages 26 and 27. See also the Corporate Responsibility section on pages 44 to 47.

Principle 8 – Remunerate fairly and responsibly

8.1 Remuneration Committee

A description of the responsibilities and activities of the Remuneration Committee is set out in the Directors' Remuneration Report on pages 67 to 84. Terms of reference of the Committee are available on our website. Committee attendance is set out on page 55.

8.2 Remuneration Policies and Practices

The Group's Remuneration Policy was approved by shareholders at the 2015 AGM. For ease of reference, a summary of the Company's key remuneration principles and remuneration elements is also set out in the Directors' Remuneration Report.

8.3 Share Trading Policy

A copy of the Share Trading Policy which prohibits the use of derivatives in respect of employee holdings in Henderson Group securities is available on our website.

Directors' report

Further disclosures, where applicable to the Company, are contained in the sections of this Annual Report and Accounts identified below and form part of this Directors' report:

Reporting

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

Management report

Together, the Strategic report and Directors' report make up the Management report for the purpose of Disclosure and Transparency Rule 4.1.8.

Branches

The Group continues to operate a number of overseas branches.

Directors

Details of the Board members who served during the year and at the date of this report are set out on pages 52 and 53.

Powers

Subject to the Company's Articles of Association and provisions of relevant statutes, the Board may exercise all powers of the Company.

Appointment/removal of Directors

In accordance with the UK Corporate Governance Code, all Directors will offer themselves for reappointment at the AGM on 28 April 2016. Pursuant to the Articles of Association, shareholders may remove a Director before the end of his or her term by passing an ordinary resolution at a meeting of shareholders.

Conflicts of interest

The Directors have put in place procedures to deal with conflicts of interest and these have operated effectively throughout 2015. A Register of Conflicts of Interest is maintained by the Company and reviewed by the Board on an annual basis.

Indemnification and insurance of Directors and officers

The Company provides an indemnity to Directors to the extent permitted by the Companies (Jersey) Law 1991. The indemnity was enforced throughout the financial year and at the date of the approval of the Annual Report and Accounts.

The Company continues to maintain appropriate insurance cover against certain liabilities for all Directors and officers of the Group.

Political donations

The Group made no political donations during the year.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/100, amounts in this Directors' report and other sections of this Annual Report and Accounts have been rounded to the nearest £0.1m, unless stated otherwise.

Annual General Meeting

A separate document, the Notice of Annual General Meeting 2016, covering the AGM of the Company to be held on 28 April 2016, will be sent or made available to all shareholders and will contain an explanation of the business before that meeting.

Share capital and structure

Details of the movements in allotted share capital during the year, together with the rights and obligations attaching to the Company's shares, are given in note 25 to the financial statements.

No restrictions exist on the transfer or holding of securities in the Company under its Articles of Association and there are no shares carrying special rights with regards to the control of the Company.

Substantial shareholdings

As at 10 February 2016, the Company had received notification of holdings in the Company's issued share capital as set out in the table below:

Substantial shareholder	Total number of shares	%
The Capital Group Companies, Inc.	58,098,373	5.09
Commonwealth Bank of Australia	57,201,717	5.01
Hyperion Asset Management Limited	56,136,581	4.92
Wellington Management Company, LLP	55,342,341	4.88
IOOF Holdings Limited	49,005,304	4.40
AMP Limited	34,461,477	3.04

Employee share schemes

The Company has a number of employee share schemes and the rights attached to the shares of certain share schemes are not exercisable by employees. The discretion to vote remains with the trustees with two exceptions:

1. in cases of takeover or reconstruction; and
2. the trustee of the Henderson Group plc Buy As You Earn Share Plan (and its international equivalent) does not have discretion on how to vote and seeks instructions from the beneficiaries.

Restrictions on voting rights

There are no restrictions on voting rights of securities in the Company. The Notice of AGM specifies deadlines for determining attendance and voting entitlements at the AGM.

Amendment to the Articles of Association of the Company

The Company may only amend its Articles of Association if its shareholders pass a special resolution to that effect.

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

At the 2015 AGM, the Directors were authorised by shareholders to allot the Company's unissued shares up to an aggregate nominal amount of £47,501,641, or £95,003,282 when in connection with an offer of equity securities by way of a rights issue to shareholders in proportion to their existing holdings. Shareholders will be asked to renew this authority up to a limit of £47,160,087, and £94,320,175 respectively at the AGM on 28 April 2016.

The Directors also have authority to allot equity securities for cash or sell ordinary shares held in treasury (treasury shares) for cash on a non-pre-emptive basis: (a) pursuant to a rights issue; or (b) up to an aggregate nominal amount of £7,125,246. Shareholders will be asked to renew this authority up to an increased limit of £14,148,026, in accordance with the Pre-Emption Group's Statement of Principles, at the AGM on 28 April 2016.

Purchase of own share capital

At the 2015 AGM, the Directors were authorised to purchase up to a maximum of 114,003,938 ordinary shares minus the number of shares purchased as CDIs under a Contingent Purchase Contract.

During the year, in light of the Company's improved capital position, the Directors decided to implement a share buyback programme to enhance returns to shareholders. The Company bought back, and subsequently cancelled, a total of 9,012,801 ordinary shares with a nominal value of 12.5 pence per share, representing 0.79% of the total issued share capital. The aggregate amount of consideration paid for the shares was £25m.

Shareholders will be asked to renew these authorities up to a limit of 113,184,210 ordinary shares at the AGM on 28 April 2016. Further information, including the maximum and minimum prices which may be paid for the shares and CDIs, is set out in the Notice of AGM.

Significant agreements

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

Independent auditors

It is proposed that PricewaterhouseCoopers LLP be reappointed as independent auditors and a resolution for shareholders will be proposed at the 2016 AGM.

Financial reporting and going concern

The Directors have acknowledged their responsibilities in the Directors' responsibilities statement in relation to the consolidated financial statements and those of the Company for the year ended 31 December 2015 (refer to page 91).

Our business activities, together with the factors likely to affect their future development, performance and position, are set out in the Chief Executive's review on pages 7 to 10. The financial position of the Group, and its cash flow and liquidity position, are described in the consolidated financial statements and notes. In particular, note 27 to the financial statements summarises the Group's objectives, policies and processes for managing its financial risk management objectives, details of financial instruments used and hedging activities and its exposures to price, interest rate, liquidity, foreign currency and credit risks. The Group has sufficient financial resources together with diverse revenue streams. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors closely monitored the material uncertainties inherent in current and expected market conditions, the trading performance of the Group and the debt instruments issued by the Group.

After consideration, the Directors are satisfied that the Company has sufficient financial resources to continue operating in the foreseeable future, and therefore, continue to adopt the going concern basis in preparing the Annual Report.

Signed in accordance with a resolution of the Board of Directors:

Richard Gillingwater
Chairman
10 February 2016

Andrew Formica
Chief Executive
10 February 2016

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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with all the above requirements in preparing the financial statements.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving this Directors' report are listed on pages 52 and 53. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- So far as the Director is aware, there is no relevant audit information needed by the Company's external auditors in connection with preparing their report, of which the Company's external auditors are unaware
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make themselves aware of any relevant audit information needed by the Company's external auditors in connection with preparing their report and to establish that the Company's external auditors are aware of that information
- 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 2015
- 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 2015 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
- 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. 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
10 February 2016

Roger Thompson
Chief Financial Officer
10 February 2016

Independent auditors' report
to the members of Henderson Group plc

Report on the financial statements

Our opinion

In our opinion, Henderson Group plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's and the Company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2015;
- the Consolidated and Company Income Statements and the Consolidated and Company Statements of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Context

In planning for our audit, we met with the Audit Committee, other Board members and management to discuss and understand significant changes during the year and to understand their perspectives on associated business risks. We used this insight when forming our own views regarding the business as part of developing our audit plan.

The Group has continued to grow, both organically and as a result of acquisitions. We considered general market conditions and the performance of the Group when scoping and performing our work, in particular over revenue which is driven by the value of assets under management ('AUM').

We also focused on the two significant transactions which took place during the year being the disposal of the Group's investment in the TH Real Estate joint venture and the acquisition of two boutique asset managers ('Perennial') in Australia.

Overview	
Materiality	– Overall Group materiality: £10.6m which represents 5% of profit before tax, adjusted for the amortisation of intangible assets and the gain on disposal of the Group's investment in the TH Real Estate joint venture.
Scope	– The Group comprises a number of subsidiaries, the majority of which are UK incorporated entities. – The UK Group engagement team conducted all audit work in respect of the audit of the Group financial statements, including in relation to certain entities incorporated overseas as accounting is centralised primarily in the UK. – Taken together, the subsidiaries and functions in the scope of our audit work accounted for 96% of Group revenues. Our work over the six principal subsidiaries accounted for 84% of adjusted Group profit before tax which we supplemented with procedures over other balances in entities across the Group.
Non-recurring areas of focus	– Disposal of the investment in the TH Real Estate joint venture. – Acquisition of Perennial business.
Recurring areas of focus	– Recognition of management fees and performance fees. – Goodwill and intangible assets impairment review.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Non-recurring areas of focus

We have identified two areas of focus which relate to specific events or transactions which have taken place during the year ended 31 December 2015.

Non-recurring area of focus	How our audit addressed the area of focus
Disposal of the investment in the TH Real Estate joint venture Refer to page 63 (Audit Committee report), note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 15.2 for further information.	
On 1 June 2015, the Group sold its 40% stake in TH Real Estate to TIAA-CREF for £84.3m. The Group's Investment in Associate has therefore been derecognised and a gain of £12.3m has been recognised as a non-recurring item. Accounting for this disposal was an area of focus due to the size of the transaction and the inherent risk of misstatement associated with any one off transaction.	We tested, without exception, the mathematical accuracy of the calculation of the gain as the difference between the carrying value of the investment and the consideration received. We tested the significant inputs to the calculation, with no differences noted, by: – Agreeing the consideration received to the Sale and Purchase Agreement ('SPA') and bank statement; and – Recalculating the carrying value of the Investment in Associate at 1 June 2015. We also evaluated the presentation and disclosure of the transaction in the financial statements and read the SPA to determine whether there were any additional terms which could impact the accounting. Based on our work, the disposal has been correctly accounted for and disclosed in accordance with accounting standards.
Acquisition of Perennial business Refer to page 63 (Audit Committee report), note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 32 for further information.	
On 1 November 2015, the Group acquired 100% of the share capital of Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd (together 'Perennial'). An initial cash payment of A$76.5m (£35.3m) was made and a further amount of between A$nil and A$15m (£nil and £6.9m) is payable over four years, contingent on future performance. This is currently estimated to have a net present value of A$0.8m (£0.4m) resulting in a total cost of A$77.3m (£35.7m). At the time of the acquisition, the Group also agreed to make future payments to executives of Perennial contingent on their continuing employment and future performance. This is currently estimated to be at the mid to lower end of a range of possible outcomes. As this is considered remuneration under IFRS, rather than consideration for the business, it is recognised over the service period. Accounting for the Perennial acquisition is an area of focus due to the inherent complexities associated with business combinations. In particular there is subjectivity regarding future performance impacting the valuation of contingent consideration and acquired investment management contracts ('IMCs').	IMCs and contingent consideration We tested the mathematical accuracy of the valuation models with no differences identified and, for the contingent consideration model, we confirmed that the methodology used was in accordance with the SPA. We identified the significant inputs to the models (investment performance and client inflows/outflows) and challenged these assumptions by: – Comparing AUM performance rates with historical performance and forecasts for the Australian market; – Considering the client attrition rate with reference to the average life of a fund based on independent third party research and past experiences of businesses acquired. For the IMC model we also tested that this was consistent with the period of time over which revenue was expected to be generated and the amortisation period; and – Comparing net inflows/outflows from investors in the contingent consideration model with historical results.

Non-recurring area of focus	How our audit addressed the area of focus
Acquisition of Perennial business continued Goodwill The goodwill is the difference between the net assets acquired (including the IMCs) and the consideration paid (including contingent amounts). Remuneration The valuation is calculated on a similar basis to contingent consideration. The terms of the SPA determine whether the amounts should be classified as remuneration or consideration.	We performed sensitivity analysis over these assumptions to quantify the impact of changing them to reasonably possible alternatives. We discussed these alternative assumptions with the Directors and the Audit Committee and determined that the assumptions are within an acceptable range, although uncertainties always exist. Goodwill We recalculated the goodwill recognised and agreed the key inputs to supporting documentation such as the SPA, the valuation models for contingent consideration and IMCs and financial information from Perennial. No differences were identified and the calculation was mathematically accurate. Remuneration We recalculated the Directors' valuation of the amounts to be paid to key individuals based on the SPA and tested that the assumptions were consistent with the IMC and contingent consideration models, where appropriate. We also read the SPA to ensure that the amounts were contingent on continuing in employment and thus appropriately classified as remuneration. We evaluated the presentation and disclosure of the transaction in the financial statements and read the SPA to determine whether there were any additional terms which could impact the accounting or disclosure. Based on our work, the acquisition has been correctly accounted for and disclosed in accordance with accounting standards.

Recurring areas of focus

There are two areas of focus which we expect to recur each year because they relate to significant balances in the financial statements and are an integral part of the business.

Recurring area of focus	How our audit addressed the area of focus
Recognition of management fees and performance fees Refer to page 63 (Audit Committee report), note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 3 for further information.	
Management and performance fees are an area of focus due to the size and importance of revenue to the Group's results. The existence of multiple fee arrangements on different terms creates a further risk that fees may be incorrectly calculated and/or recognised in the wrong period. Fees are calculated as a percentage of AUM, net of any rebates. The fee rates vary across different funds and products and, for performance fees, are only earned once investment performance exceeds a certain level. Performance fees are inherently more complex as judgement can be required to determine whether performance criteria have been met, particularly when the performance period runs over more than one financial reporting period. The correct recognition of management and performance fees is dependent on: a) The fee rate and calculation methodology set out in the terms of the underlying contracts between the Group and its clients and/or the funds; b) The valuation, existence and completeness of the AUM of the funds or the client portfolio; c) The mathematical accuracy of the fee calculation; and d) The posting of the fees to the general ledger, including recognition of the fees in the correct period.	We focused our testing on the following areas: a) Basis of calculation We agreed a sample of fee rates and calculation methodologies to contracts and did not identify any differences. b) Accuracy and completeness of AUM We understood and evaluated the systems, processes and controls in place in respect of the valuation and existence of AUM and tested the relevant controls on which we sought to place reliance. This included testing in-house controls (including IT general controls) and obtaining independent third party controls reports where functions are outsourced to Third Party Administrators ('TPAs') or Transfer Agents ('TAs'). In such instances, we read the reports and determined that they were appropriate for our purposes. Where the reports did not cover the full financial year we obtained bridging letters from the TPAs/TAs to confirm the relevant controls had continued to operate consistently within the gap period and that no deficiencies had been identified. The results showed that the relevant controls were operating effectively. c) Fee calculations We used a combination of data auditing and manual sampling to independently recalculate management fees, rebates and performance fees. We obtained AUM data from source systems at Henderson and/or the TPAs and TAs in our calculations. We did not identify any differences as a result of this testing. d) Posting of fees We reconciled the fees we recalculated against the general ledger postings and investigated differences, where applicable. For a sample of fees recognised either side of the year-end we tested that they had been recognised in the correct period, paying particular attention to performance fees. Based on our work, the fees have been correctly calculated and recognised. We also tested a sample of bank reconciliations and performed tests over journals impacting revenue which appeared to be unusual. We did not identify any exceptions as a result of this testing.

Recurring area of focus	How our audit addressed the area of focus

Goodwill and intangible assets impairment review

Refer to page 63 (Audit Committee report), note 2 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 14 for further information.

The Group's intangible assets primarily consist of goodwill of £556.7m and IMCs of £109.3m from historical and current year acquisitions. Of the total intangible assets, £39.8m relates to the current year acquisition of Perennial which has been addressed under 'Acquisition of Perennial business' on pages 93 and 94. Intangible assets is the most significant balance in the Consolidated Statement of Financial Position which makes this an area of focus. The amounts relating to acquisitions which occurred in prior periods are treated as follows:

Goodwill: Assessed annually for impairment by calculating the current 'value in use' of the business and comparing this with the carrying value. This requires judgements to be made about future performance, the most subjective of which are the projected future cash flows and the discount rate. The current year assessment showed that there was significant headroom before an impairment would be required.

IMCs: Amortised over the period they are expected to generate revenue and considered for indicators of impairment at each reporting date. The Directors have not identified any impairment indicators which may arise if, for example, the value of AUM was to decrease at a higher rate than anticipated at the time the amortisation period was determined.

Goodwill

We recalculated the difference between the carrying value and the Directors' valuation of goodwill to test there was sufficient headroom. We tested the mathematical accuracy of the valuation and tested the inputs to the model by:

- Comparing the cash flow forecasts to the latest Board approved five year plans and considering the accuracy of the budgeting process with reference to historical forecasts;
- Challenging the growth rates by reference to economic and industry forecasts and historical results; and
- Challenging the discount rate by comparing it to the cost of capital for the Group.

IMCs

We considered whether there was any indication that the IMCs may be impaired with reference to recent performance and performance since the acquisition dates. No such indicators were identified. We also compared the amortisation periods being used against the average life of investors and funds based on independent third party research and our knowledge of the industry.

Sensitivity analysis

We performed sensitivity analysis in respect of goodwill and IMCs to consider which changes to assumptions, either individually or collectively, could result in an impairment. We discussed the likelihood of the analysis with the Directors and, although uncertainties always exist with regards to forecasts, the Directors' conclusion that there is no impairment, is consistent with the audit evidence obtained.

How we tailored the audit scope

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

The Group's accounting process is structured around a primary finance function in the UK. The UK and overseas finance functions maintain their own accounting records but use the same, integrated general ledger system.

All audit work in relation to the financial statements was performed in the UK by the Group engagement team, including in relation to overseas territories such as the US, Luxembourg and Australia where applicable.

In establishing the overall approach to the Group audit, we determined which entities within the Group were of most financial significance. We audited the complete financial information of six principal subsidiaries within the Group, each of which contributed more than 15% of the profit before tax of the Group. We supplemented this with additional testing over certain balances. This included procedures over specific transactions (such as acquisitions and disposals), testing of consolidation adjustments (such as goodwill) and certain other balances (such as pensions and debt) which were recognised within entities not considered to be financially significant. Taken together, the subsidiaries and functions in the scope of our audit work accounted for 96% of Group revenues. Our work over the six principal subsidiaries accounted for 84% of Group profit before tax (adjusted for the amortisation of intangible assets and the gain on disposal of the Group's investment in the TH Real Estate joint venture) which was further supplemented by testing of other balances as described above. These combined procedures enabled us to determine that we had obtained sufficient evidence to support the opinion on the Group financial statements as a whole.

Materiality

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

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

Overall Group materiality	£10.6m (2014: £9.8m).
How we determined it	5% of profit before tax, adjusted for the amortisation of intangible assets and the gain on disposal of the Group's investment in the TH Real Estate joint venture.
Rationale for benchmark applied	We adjusted profit before tax to arrive at a profit measure which, in our judgement, is a relevant benchmark as it is the key performance measure reported by management and used by others to reflect the underlying performance of the business in both its internal and external reporting to stakeholders, including shareholders and analysts. These adjustments were: – The deduction of the gain on disposal of the Group's investment in the TH Real Estate joint venture. This was adjusted for as it is a non-recurring transaction that is not reflective of the Group's underlying performance; and – The adding back of amortisation of intangible assets. This adjustment has been made to reflect the fact that this is a predictable, recurring charge which has arisen as a result of acquisition accounting. It is also non-cash and is not reflective of the underlying performance of the business. The adjusted profit before tax benchmark is the profit measure against which the Group's performance is more commonly measured and was communicated to the Audit Committee.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5m (2014: £0.4m) as well as any misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under ISAs (UK and Ireland), we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' responsibilities statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to in respect of that statement.

As noted in the Directors' responsibilities statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit, we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group and the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Under ISAs (UK and Ireland), we are required to report to you if, in our opinion:

Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
The statement given by the Directors on page 91, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
The section of the Annual Report on pages 62 to 65 , as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK and Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

The Directors' confirmation on page 59 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten their business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
The Directors' explanation on page 25 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules, we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group, set out on page 59. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Propriety of accounting records and information and explanations received

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Corporate Governance statement

Under the Listing Rules, we are required to review the part of the Corporate Governance statement relating to the 10 further provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Other voluntary reporting

Opinion on other matters

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 91, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for, and only for, the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

P S Purewal

Parwinder Purewal
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Recognized Auditors
London, 10 February 2016

Notes:

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

FINANCIAL STATEMENTS

Contents

Consolidated Income Statement

For the year ended 31 December 2015

		2015			2014		
	Notes	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
Income							
Gross fee and deferred income	3	756.0	–	756.0	651.2	–	651.2
Commissions and deferred acquisition costs	3	(154.2)	–	(154.2)	(132.4)	–	(132.4)
Net fee income		601.8	–	601.8	518.8	–	518.8
(Loss)/income from associates and joint ventures	15.2	(0.2)	(0.5)	(0.7)	5.1	(7.2)	(2.1)
Finance income	3	17.3	12.4	29.7	10.1	11.5	21.6
Net income from continuing operations		618.9	11.9	630.8	534.0	4.3	538.3
Expenses							
Operating expenses	4.1	(381.6)	(5.9)	(387.5)	(329.9)	(1.3)	(331.2)
Amortisation and depreciation		(5.2)	(56.2)	(61.4)	(4.7)	(53.7)	(58.4)
Total operating expenses		(386.8)	(62.1)	(448.9)	(334.6)	(55.0)	(389.6)
Finance expenses	6	(12.1)	(1.9)	(14.0)	(11.6)	(1.5)	(13.1)
Total expenses from continuing operations		(398.9)	(64.0)	(462.9)	(346.2)	(56.5)	(402.7)
Profit/(loss) before tax from continuing operations		220.0	(52.1)	167.9	187.8	(52.2)	135.6
Tax (charge)/credit on continuing operations		(22.9)	16.2	(6.7)	(20.6)	11.9	(8.7)
Profit/(loss) after tax from continuing operations		197.1	(35.9)	161.2	167.2	(40.3)	126.9
Discontinued operation							
Profit before tax	9.1	–	–	–	7.6	140.2	147.8
Tax charge	9.1	–	–	–	(1.3)	(14.9)	(16.2)
Profit after tax from discontinued operation		–	–	–	6.3	125.3	131.6
Profit/(loss) before tax from total operations		220.0	(52.1)	167.9	195.4	88.0	283.4
Tax (charge)/credit on total operations	8	(22.9)	16.2	(6.7)	(21.9)	(3.0)	(24.9)
Profit/(loss) after tax attributable to owners of the parent		197.1	(35.9)	161.2	173.5	85.0	258.5
Total profit attributable to owners of the parent arises from:							
Continuing operations				161.2			126.9
Discontinued operation				–			131.6
				161.2			258.5
Basic and diluted earnings per share from continuing operations							
Basic	10.3			14.7p			11.7p
Diluted	10.3			14.1p			11.1p
Basic and diluted earnings per share from total operations							
Basic	10.4			14.7p			23.8p
Diluted	10.4			14.1p			22.7p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit after tax		**161.2**	258.5
Other comprehensive income/(expense)			
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**8.8**	0.1
Exchange differences transferred to the Consolidated Income Statement on disposal of foreign operations		**0.5**	(1.9)
Available-for-sale financial assets:			
Net gains on revaluation		**14.8**	3.5
Reclassification to the Consolidated Income Statement on disposal		**(9.6)**	(6.7)
Reclassification to the Consolidated Income Statement on impairment due to distribution		**–**	0.6
Tax effect of revaluation		**–**	0.1
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial (losses)/gains:			
On defined benefit pension schemes (after tax deducted at source)	21.2	**(2.9)**	17.6
On other items		**–**	0.1
Tax effect of actuarial (losses)/gains		**(0.1)**	0.1
Other comprehensive income after tax		**11.5**	13.5
Total comprehensive income after tax		**172.7**	272.0
Attributable to:			
Owners of the parent		**164.0**	273.6
Non-controlling interests		**8.7**	(1.6)
		172.7	272.0

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Intangible assets	14	**680.6**	677.9
Investments accounted for using the equity method		**2.9**	74.4
Property and equipment	16	**14.4**	15.1
Retirement benefit assets	21.2	**130.0**	128.1
Deferred tax assets	23	**37.5**	36.0
Trade and other receivables	18	**0.1**	1.3
		865.5	932.8
Current assets			
Available-for-sale financial assets	17	**64.6**	71.0
Financial assets at fair value through profit or loss	17	**145.7**	35.9
Current tax assets		**0.9**	2.3
Trade and other receivables	18	**232.7**	275.9
Cash and cash equivalents	19.1	**381.6**	234.5
		825.5	619.6
Assets classified as held for sale	9.2	**–**	84.8
Total assets		**1,691.0**	1,637.2
Non-current liabilities			
Debt instrument in issue	20	**–**	149.4
Financial liabilities at fair value through profit or loss	17	**22.6**	31.4
Trade and other payables	24	**10.7**	13.2
Retirement benefit obligations	21.2	**8.1**	8.5
Provisions	22	**10.0**	9.7
Deferred tax liabilities	23	**31.6**	38.9
		83.0	251.1
Current liabilities			
Debt instrument in issue	20	**149.9**	–
Financial liabilities at fair value through profit or loss	17	**96.7**	25.8
Trade and other payables	24	**291.3**	290.2
Provisions	22	**1.9**	3.1
Current tax liabilities		**20.5**	23.0
		560.3	342.1
Liabilities classified as held for sale	9.2	**–**	26.0
Total liabilities		**643.3**	619.2
Net assets		**1,047.7**	1,018.0
Capital and reserves			
Share capital	25.2	**141.5**	142.4
Share premium		**747.9**	743.9
Own shares held		**(106.9)**	(94.7)
Translation reserve		**6.3**	(1.7)
Revaluation reserve		**7.6**	9.8
Profit and loss reserve		**240.7**	216.4
Equity attributable to owners of the parent		**1,037.1**	1,016.1
Non-controlling interests		**10.6**	1.9
Total equity		**1,047.7**	1,018.0

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2016. They were signed on its behalf by:

Richard Gillingwater
Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	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
At 1 January 2014	140.4	708.6	(69.4)	0.1	10.7	41.9	832.3	4.0	836.3
Profit after tax	–	–	–	–	–	258.5	258.5	–	258.5
Other comprehensive (expense)/income after tax	–	–	–	(1.8)	(0.9)	17.8	15.1	(1.6)	13.5
Total comprehensive (expense)/income after tax	–	–	–	(1.8)	(0.9)	276.3	273.6	(1.6)	272.0
Dividends paid to equity shareholders	–	–	–	–	–	(92.9)	(92.9)	–	(92.9)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(0.5)	(0.5)
Purchase of own shares for employee share schemes	–	–	(33.0)	–	–	–	(33.0)	–	(33.0)
Vesting of share schemes	–	–	44.2	–	–	(44.2)	–	–	–
Issue of shares for share schemes	2.0	35.3	(36.5)	–	–	–	0.8	–	0.8
Movement in equity-settled share scheme expenses	–	–	–	–	–	35.3	35.3	–	35.3
At 31 December 2014	142.4	743.9	(94.7)	(1.7)	9.8	216.4	1,016.1	1.9	1,018.0
Profit after tax	**–**	**–**	**–**	**–**	**–**	**161.2**	**161.2**	**–**	**161.2**
Other comprehensive income/(expense) after tax	**–**	**–**	**–**	**8.0**	**(2.2)**	**(3.0)**	**2.8**	**8.7**	**11.5**
Total comprehensive income/(expense) after tax	**–**	**–**	**–**	**8.0**	**(2.2)**	**158.2**	**164.0**	**8.7**	**172.7**
Dividends paid to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(105.4)**	**(105.4)**	**–**	**(105.4)**
Purchase of own shares for employee share schemes	**–**	**–**	**(63.0)**	**–**	**–**	**–**	**(63.0)**	**–**	**(63.0)**
Vesting of share schemes	**–**	**–**	**55.0**	**–**	**–**	**(55.0)**	**–**	**–**	**–**
Issue of shares for share schemes	**0.2**	**4.0**	**(4.2)**	**–**	**–**	**–**	**–**	**–**	**–**
Movement in equity-settled share scheme expenses	**–**	**–**	**–**	**–**	**–**	**39.2**	**39.2**	**–**	**39.2**
Tax on equity-settled share schemes	**–**	**–**	**–**	**–**	**–**	**11.2**	**11.2**	**–**	**11.2**
Purchase and cancellation of shares	**(1.1)**	**–**	**–**	**–**	**–**	**(23.9)**	**(25.0)**	**–**	**(25.0)**
At 31 December 2015	**141.5**	**747.9**	**(106.9)**	**6.3**	**7.6**	**240.7**	**1,037.1**	**10.6**	**1,047.7**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Net cash flows generated from operating activities	19.2	269.8	123.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(37.8)	(76.1)
Proceeds from disposal of:			
– Property business, net of cash disposed		–	104.7
– interests in associates		84.3	13.7
– net available-for-sale financial assets – consolidated funds		–	17.5
– available-for-sale financial assets – seed capital		26.6	17.2
– financial assets at fair value through profit or loss – seed capital		3.5	–
– plant and equipment		–	0.4
Dividends from associates and distributions from joint ventures and funds		1.6	3.8
Purchases of:			
– net financial assets at fair value through profit or loss – consolidated funds		(26.4)	(72.0)
– available-for-sale financial assets – seed capital		–	(1.9)
– property and equipment	16	(1.9)	(1.6)
– computer software intangible assets	14	(6.0)	(4.1)
– investment management contracts		(2.6)	–
– interests in associates and joint ventures		(4.0)	(0.8)
Net cash flows generated from investing activities		37.3	0.8
Cash flows from financing activities			
Proceeds from issue of shares		10.3	7.3
Purchase of own shares for employee share schemes		(63.0)	(33.0)
Dividends paid to equity shareholders	12	(105.4)	(92.9)
Interest paid on debt instruments in issue		(10.9)	(10.9)
Non-controlling interests' investments in consolidated funds		21.5	16.6
Purchase of shares		(25.0)	–
Net cash flows used in financing activities		(172.5)	(112.9)
Effects of exchange rate changes		4.2	(0.4)
Net increase in cash and cash equivalents		138.8	10.5
Cash and cash equivalents at beginning of year		242.8	232.3
Cash and cash equivalents at end of year		381.6	242.8

Reconciliation of cash and cash equivalents

	Notes	2015 £m	2014 £m
Cash and cash equivalents	19.1	381.6	234.5
Cash and cash equivalents classified as held for sale	9.2	–	8.3
Total cash and cash equivalents		381.6	242.8

Company Income Statement

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Dividends received		277.0	98.4
Administration expenses		(4.8)	(3.0)
Profit before tax		272.2	95.4
Tax	8	–	–
Profit after tax		272.2	95.4

Company Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 £m	2014 £m
Profit after tax	272.2	95.4
Total comprehensive income after tax	272.2	95.4

Company Statement of Financial Position

As at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Investment in subsidiaries	15.1	1,029.8	1,030.8
		1,029.8	1,030.8
Current assets			
Trade and other receivables	18	8.8	2.6
Financial assets at fair value through profit or loss	17	41.7	34.6
Cash and cash equivalents	19.1	7.2	7.3
		57.7	44.5
Total assets		1,087.5	1,075.3
Liabilities			
Non-current financial liabilities at fair value through profit or loss		9.4	7.8
Current financial liabilities at fair value through profit or loss		18.8	18.3
Current trade and other payables	24	21.2	129.1
Total liabilities		49.4	155.2
Net assets		1,038.1	920.1
Capital and reserves			
Share capital	25.2	141.5	142.4
Share premium		747.9	743.9
Own shares held		(106.9)	(94.7)
Profit and loss reserve		255.6	128.5
Total equity		1,038.1	920.1

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2016. They were signed on its behalf by:

Richard Gillingwater
Chairman

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £m	Share premium £m	Own shares held £m	Profit and loss reserve £m	Total equity £m
At 1 January 2014	140.4	708.6	(69.4)	134.9	914.5
Total comprehensive income after tax	–	–	–	95.4	95.4
Dividends paid to equity shareholders	–	–	–	(92.9)	(92.9)
Purchase of own shares for employee share schemes	–	–	(33.0)	–	(33.0)
Vesting of share schemes	–	–	44.2	(44.2)	–
Issue of shares for share schemes	2.0	35.3	(36.5)	–	0.8
Movement in equity-settled share scheme expenses	–	–	–	35.3	35.3
At 31 December 2014	142.4	743.9	(94.7)	128.5	920.1
Total comprehensive income after tax	**–**	**–**	**–**	**272.2**	**272.2**
Dividends paid to equity shareholders	**–**	**–**	**–**	**(105.4)**	**(105.4)**
Purchase of own shares for employee share schemes	**–**	**–**	**(63.0)**	**–**	**(63.0)**
Vesting of share schemes	**–**	**–**	**55.0**	**(55.0)**	**–**
Issue of shares for share schemes	**0.2**	**4.0**	**(4.2)**	**–**	**–**
Movement in equity-settled share scheme expenses	**–**	**–**	**–**	**39.2**	**39.2**
Purchase and cancellation of shares	**(1.1)**	**–**	**–**	**(23.9)**	**(25.0)**
At 31 December 2015	**141.5**	**747.9**	**(106.9)**	**255.6**	**1,038.1**

Company Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Cash flows generated from operating activities			
Profit before tax		**272.2**	95.4
Changes in operating assets and liabilities	19.3	**(89.2)**	21.7
Net cash flows generated from operating activities		**183.0**	117.1
Cash flows from financing activities			
Proceeds from issue of shares		**10.3**	7.3
Purchase of own shares for employee share schemes		**(63.0)**	(33.0)
Dividends paid to equity shareholders		**(105.4)**	(92.9)
Purchase of shares		**(25.0)**	–
Net cash flows used in financing activities		**(183.1)**	(118.6)
Net decrease in cash and cash equivalents		**(0.1)**	(1.5)
Cash and cash equivalents at beginning of year		**7.3**	8.8
Cash and cash equivalents at end of year	19.1	**7.2**	7.3

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 2015 were authorised for issue by the Board of Directors on 10 February 2016 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 and domiciled 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 and IFRS Interpretations Committee (IFRS IC) interpretations 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 owners 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 private equity funds and open-ended pooled funds, such as OEICs, unit trusts and absolute return funds, 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 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, long-term remuneration plans recognised as part of a business combination and void property finance charges; 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.

Notes to the financial statements continued

Group and Company continued

2.1 Significant accounting policies continued

Re-presentation of liabilities

In 2015, financial liabilities at fair value through profit or loss, excluding provisions, are shown separately from within trade and other payables where they have been previously presented. As a result, £31.4m and £25.8m have been transferred from non-current and current trade and other payables respectively in the 2014 Consolidated Statement of Financial Position. In addition, £7.8m and £18.3m have been transferred from non-current and current trade and other payables respectively in the 2014 Company Statement of Financial Position.

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.

Commissions

Commissions 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 expenses

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 expenses are 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 relating 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 or Monte Carlo 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 recognised 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.

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.

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.

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 on a straight-line basis 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.

Notes to the financial statements continued

Group and Company continued

2.1 Significant accounting policies continued

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.

Discontinued operation

During 2014, the Group 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, were also included within the discontinued operation line in the Consolidated Income Statement. Management determined that the Property business represented a major line of business and therefore reported it 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 investments designated as fair value through profit or loss relating to the initial seeding of funds. 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, derivatives, fund deferral liabilities and non-controlling interests in consolidated 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.

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.

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 and is recognised in financial liabilities at fair value through profit or loss. Where the assets of the fund are presented as held for sale, the non-controlling interest is presented within held for sale liabilities.

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 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.

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.

Purchase of own shares

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.

Share buyback programmes

Shares purchased as part of a share buyback programme are immediately cancelled. The nominal value of each share purchased and cancelled is debited against share capital and the remaining balance, being the difference between the price paid per share and the nominal value, is debited against the profit and loss reserve.

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.

Investing activities in consolidated funds re-presentation

The Consolidated Statement of Cash Flows now presents additions and disposals in financial instruments made by consolidated funds on a net basis within investing activities as these funds invest and divest investments frequently for trading purposes. The 2014 Consolidated Statement of Cash Flows has been re-presented to reflect this change with the reported figures relating to seed capital additions of £77.1m and disposals of £37.9m separated out on the following lines: (a) proceeds from disposal of net available-for-sale financial assets – consolidated funds; (b) proceeds from disposal of available-for-sale financial assets – seed capital; (c) purchases of net financial assets at fair value through profit or loss – consolidated funds; and (d) purchases of available-for-sale financial assets – seed capital. There is no impact on reported cash flows from investing activities.

Notes to the financial statements continued

Group and Company continued

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:

Acquisition of Geneva Capital Management LLC

The acquisition of Geneva Capital Management LLC (Geneva) requires certain judgements and estimates to be made around the future performance of the business when accounting for the contingent deferred consideration payable in the future. 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.

Acquisition of Perennial

The acquisition of Perennial required certain judgements and estimates to be made around the future performance of the business when accounting for the investment management contracts acquired. The key estimates applied in valuing the investment management contracts were market growth and attrition rates which have been based around industry data for equities and fixed income and data specific to the acquired business.

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.

Consolidation of funds

From time to time, the Group invests seed capital on the launch of products, such as OEICs, SICAVs, hedge funds 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 investments carried at fair value.

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.

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, 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

As at 31 December 2014, the Group classified assets and liabilities of consolidated seed capital investments invested in 2014 as held for sale, on the basis that the seed capital investments would be redeemed within a year. During the period, it has been identified that redeeming a seed capital investment within a year is less than probable unless there is specific information available about a redemption on a certain seed capital investment. This change in estimate by management is based on the length of time exceeding one year to build a track record that is sufficient to fully dispose of these investments. Based on this change in assumption, the Group has transferred the assets and liabilities that were held for sale as at 31 December 2014 to their respective line items in the Consolidated Statement of Financial Position as at 31 December 2015.

2.3 Changes in accounting policies

The accounting policies adopted in this Annual Report are consistent with those of the previous financial year.

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 2016. 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.

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 2018.

IFRS 16 Leases requires a lessee to recognise lease assets and liabilities, currently accounted for as operating leases, on the balance sheet and recognise amortisation of lease assets and interest on lease liabilities over the lease term. This standard is currently expected to become effective in 2019.

IFRS 9, IFRS 15 and IFRS 16 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	2015 £m	2014 £m
Gross fee and deferred income			
Gross fee income		754.6	648.9
Amortisation of deferred income		1.4	2.3
		756.0	651.2
Commissions and deferred acquisition costs			
Commissions and fees payable		(150.1)	(130.5)
Amortisation of deferred acquisition and commission costs		(4.1)	(1.9)
		(154.2)	(132.4)
Net fee income		601.8	518.8
Loss from associates and joint ventures	15.2	(0.7)	(2.1)
Finance income			
Interest on cash and cash equivalents		1.0	0.8
Gain on sale of associate	7	12.3	11.5
Gain on sale of available-for-sale financial assets		11.0	3.9
Loss on financial instruments at fair value through profit or loss		(1.2)	(1.1)
Other net investment income		1.8	2.0
Net interest credit on defined benefit pension schemes	21.2	4.8	4.5
		29.7	21.6
Net income from continuing operations		630.8	538.3

Notes to the financial statements continued

Group and Company continued

4. Expenses

4.1 Operating expenses

Group

	Note	2015 £m	2014 £m
Employee compensation and benefits	5.2	273.0	233.4
Investment administration		31.6	30.2
Information technology		19.8	17.6
Operating leases		7.7	6.9
Office expenses		9.3	8.1
Foreign exchange losses/(gains)		3.2	(3.5)
Other expenses		42.9	38.5
Operating expenses from continuing operations		387.5	331.2

Other expenses include marketing, travel and subsistence, legal and professional costs and irrecoverable indirect taxes.

4.2 Auditors' remuneration

Group and Company

This note discloses the total remuneration payable to the Group's auditors.

	2015 £m	2014 £m
Fees payable to PwC for the audit of the Group's consolidated financial statements	0.4	0.1
Fees payable to PwC and their associates for other services:		
– statutory audit of the Group's subsidiaries	0.6	0.5
– audit related assurance services	0.2	0.2
– other assurance services	0.3	0.2
– tax services	–	0.1
Total fees	1.5	1.1

The above analysis reflects the amounts billed by PwC or accrued by the Group in 2015. Included in the fees payable to the Group's auditors for the audit of the Group's 2015 consolidated financial statements are fees of £29,411 for the audit of the Company's 2015 financial statements (2014: £28,544).

Audit related assurance services include the half year review of the Group's interim results, the auditors' regulatory engagements covering client assets and a review of the European Economic Area consolidated group. Other assurance services primarily relate to the work on the Group's AAF controls report. The Group has strict policies in place that restrict the use of the Group's auditors with respect to non-audit services.

5. Employee compensation and benefits

5.1 Number of employees

Group

The number of full-time employees was as follows:

	Average[1]		As at 31 December[1]	
	2015 no.	2014 no.	2015 no.	2014 no.
Number of employees relating to continuing operations	955	875	1,016	922
Number of employees relating to total operations	955	928	1,016	922

Note:
1. Excluding those working on capitalised projects.

Company

The Company has no full-time employees. 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	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Salaries, wages and bonuses		**196.2**	175.3	**0.7**	0.3
Share-based payments	11.2	**28.9**	27.4	**–**	–
Social security costs		**39.2**	24.1	**0.1**	–
Pension service cost		**8.7**	6.6	**–**	–
Employee compensation and benefits expense from continuing operations		**273.0**	233.4	**0.8**	0.3

6. Finance expenses

Group

	Note	**2015 £m**	2014 £m
Debt instruments interest expense		**11.3**	11.3
Deferred consideration finance charge		**1.2**	0.3
Void property finance charge	22	**0.7**	1.2
Other		**0.8**	0.3
Total finance expenses		**14.0**	13.1

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

Group

		2015			2014		
	Notes	**Acquisition related items £m**	**Non-recurring items £m**	**Total £m**	Acquisition related items £m	Non-recurring items £m	Total £m
Loss/(income) from associates and joint ventures							
Associate intangible amortisation		**0.8**	**–**	**0.8**	1.8	–	1.8
TH Real Estate establishment costs		**–**	**(0.3)**	**(0.3)**	–	5.4	5.4
		0.8	**(0.3)**	**0.5**	1.8	5.4	7.2
Finance income							
TH Real Estate gain on sale		**–**	**(12.3)**	**(12.3)**	–	–	–
Australia acquisitions		**–**	**(0.1)**	**(0.1)**	–	–	–
ICICL gain on sale		**–**	**–**	**–**	–	(11.5)	(11.5)
		–	**(12.4)**	**(12.4)**	–	(11.5)	(11.5)
Operating expenses and amortisation							
Intangible amortisation	14	**56.2**	**–**	**56.2**	53.7	–	53.7
FSCS refund		**–**	**–**	**–**	–	(2.9)	(2.9)
Acquisition and integration costs		**0.7**	**5.2**	**5.9**	–	4.2	4.2
		56.9	**5.2**	**62.1**	53.7	1.3	55.0
Finance expenses							
Void property finance charge	22	**0.7**	**–**	**0.7**	1.2	–	1.2
Deferred consideration finance charge		**1.2**	**–**	**1.2**	0.3	–	0.3
		1.9	**–**	**1.9**	1.5	–	1.5
Total loss/(profit) before tax from continuing operations		**59.6**	**(7.5)**	**52.1**	57.0	(4.8)	52.2
Tax credit	8	**(12.7)**	**(3.5)**	**(16.2)**	(11.2)	(0.7)	(11.9)
Total loss/(profit) after tax from continuing operations		**46.9**	**(11.0)**	**35.9**	45.8	(5.5)	40.3

Non-recurring items in the prior year 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

2015

TH Real Estate

- Loss/(income) from associates and joint ventures

A £0.3m adjustment to the Group's £5.4m share of one-off establishment costs recognised in 2014 was made in the current period.

- Finance income

On 1 June 2015, the Group sold its 40% stake in TH Real Estate, resulting in a £12.3m gain. Refer to note 15.2 for further detail regarding the transaction.

Australia acquisitions

- Finance income

A £0.1m gain has been recognised on the revaluation of the Group's previous 41.4% stake in 90 West, based on the transaction price on 29 May 2015 when the Group acquired the remaining 58.6% of shares. Refer to note 32 for further detail regarding the transaction.

Acquisition and integration costs

- Operating expenses and amortisation

The Group has incurred costs of £5.2m in the period including costs related to the acquisition of Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd (together Perennial) and 90 West. Refer to note 32 for further detail regarding the transactions.

2014

TH Real Estate

- Loss/(income) from associates and joint ventures

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) gain on sale

- Finance income

The Group completed the sale of its 50% stake in ICICL in 2014, resulting in an £11.5m gain.

FSCS refund

- Operating expenses and amortisation

The Financial Services Compensation Scheme (FSCS) made a partial refund to the Group of £2.9m relating to the 2010/2011 Keydata cross subsidy levy in 2014. This amount was recognised as a credit in operating expenses to reflect the original treatment of the expense recognised in 2010 and 2012.

Acquisition and integration costs

- Operating expenses and amortisation

Deal and integration costs of £4.2m were incurred by the Group during 2014 relating to the acquisition of Geneva.

8. Tax

Tax recognised in the income statement

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Current tax:				
– charge for the year	21.4	42.1	–	–
– prior year adjustments	(4.6)	(5.4)	–	–
Deferred tax:				
– credit for the year	(9.7)	(13.4)	–	–
– prior year adjustments	(0.4)	1.6	–	–
Total tax charged to the income statement	6.7	24.9	–	–

Reconciliation of profit before tax to tax charge/(credit)

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

Group

	2015 Underlying profit £m	2015 Acquisition related and non-recurring items £m	2015 Total £m	2014 Total £m
Profit/(loss) before tax from total operations	220.0	(52.1)	167.9	283.4
Tax charge/(credit) at the UK corporation tax rate of 20.25% (2014: 21.5%)	44.6	(10.6)	34.0	60.9
Factors affecting the tax charge/(credit):				
Differences in effective tax rates on overseas profits	(12.0)	(1.1)	(13.1)	(11.2)
Staff compensation deductions	(6.9)	–	(6.9)	–
Prior period adjustments	(2.1)	(2.9)	(5.0)	(3.8)
Utilisation of previously unrecognised tax losses	(1.5)	(0.1)	(1.6)	(2.2)
Non-taxable income and disallowable expenditure	0.2	(1.6)	(1.4)	(20.0)
Changes in statutory tax rates	–	0.1	0.1	0.9
Other items	0.6	–	0.6	0.3
Total tax charged/(credited) to the Consolidated Income Statement	22.9	(16.2)	6.7	24.9

During 2015, the Group came to a settlement with HMRC in respect of the treatment of certain compensation expenditure paid to staff in prior years. This settlement allowed the Group to claim a deduction in respect of compensation expenditure incurred in prior years, giving rise to a tax credit of £6.9m in 2015 (see Staff compensation deductions line item in the table above).

Company

	2015 £m	2014 £m
Profit before tax	272.2	95.4
Tax charge at the UK corporation tax rate of 20.25% (2014: 21.5%)	55.1	20.5
Factors affecting the tax charge:		
Non-taxable income and disallowable expenditure	(55.9)	(21.0)
Group relief surrender	0.8	0.5
Total tax charged to the Company Income Statement	–	–

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the pro-rata UK corporation tax rate for the year is 20.25% (2014: 21.5%).

Notes to the financial statements continued

Group and Company continued

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

Group

9.1 Discontinued operation

On 1 April 2014, the Group completed transactions which resulted in the disposal of the Property business and simultaneous recognition of 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 2014. The results of this business for 2014 are presented below:

	2015 £m	2014 £m
Net fee income	–	19.3
Income from associates and joint ventures	–	0.1
Finance income	–	0.2
Net income	–	19.6
Operating expenses	–	(12.0)
Underlying profit before tax from discontinued operation	–	7.6
Tax charge on underlying profit	–	(1.3)
Underlying profit after tax from discontinued operation	–	6.3
Non-recurring items – profit on disposal of Property business	–	148.9
Non-recurring items – deal and separation costs	–	(8.7)
Tax charge on non-recurring items	–	(14.9)
Profit after tax from discontinued operation	–	131.6

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
Total consideration	198.1
Disposal of:	
– goodwill and other intangible assets allocated to Property business	(33.3)
– other net tangible assets	(15.9)
Net assets disposed	(49.2)
Profit on disposal before tax and deal and separation costs	148.9
Deal and separation costs	(8.7)
Profit on disposal before tax	140.2
Tax charge on profit on disposal	(14.9)
Profit on disposal after tax	125.3

9.2 Assets and liabilities classified as held for sale relating to seed capital investments

	2015 £m	2014 £m
Financial assets at fair value through profit or loss	–	71.7
Available-for-sale financial assets	–	4.8
Cash and cash equivalents	–	8.3
Total assets classified as held for sale	–	84.8
Financial liabilities at fair value through profit or loss	–	26.0
Total liabilities classified as held for sale	–	26.0

See note 2.2 for further information on classification of assets as held for sale.

10. Earnings per share

Group

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

	2015 no. (millions)	2014 no. (millions)
Issued share capital	1,139.2	1,130.9
Less: own shares held	(46.1)	(45.7)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,093.1	1,085.2
Add: potential dilutive impact of share options and awards	49.9	54.6
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,143.0	1,139.8

Basic and diluted earnings per share have been calculated on the profit attributable to owners 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 the reporting date.

10.1 On continuing underlying profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Continuing profit after tax attributable to owners of the parent	161.2	126.9
Add back:		
Acquisition related and non-recurring items after tax from continuing operations (note 7)	35.9	40.3
Earnings for the purpose of basic and diluted earnings per share	197.1	167.2

Earnings per share

	2015 pence	2014 pence
Basic	18.0	15.4
Diluted	17.2	14.7

10.2 On total underlying profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Total profit after tax attributable to owners of the parent	161.2	258.5
Add back/(less):		
Acquisition related and non-recurring items after tax	35.9	(85.0)
Earnings for the purpose of basic and diluted earnings per share	197.1	173.5

Earnings per share

	2015 pence	2014 pence
Basic	18.0	16.0
Diluted	17.2	15.2

10.3 On continuing profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Earnings for the purpose of basic and diluted earnings per share	161.2	126.9

Notes to the financial statements continued

Group and Company continued

10.3 On continuing profit after tax attributable to owners of the parent continued

Earnings per share

	2015 pence	2014 pence
Basic	14.7	11.7
Diluted	14.1	11.1

10.4 On total profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Earnings for the purpose of basic and diluted earnings per share	161.2	258.5

Earnings per share

	2015 pence	2014 pence
Basic	14.7	23.8
Diluted	14.1	22.7

10.5 On discontinued profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Earnings for the purpose of basic and diluted earnings per share	–	131.6

Earnings per share

	2015 pence	2014 pence
Basic	–	12.1
Diluted	–	11.5

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 2015 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 may attract matching shares subject to the performance and employment conditions of that plan.

The 2013 DEP has 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 2015, £57.0m (2014: £42.8m) 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 Henderson 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 2015, the TSR performance condition allows for 2.0 matching shares on one third of the purchased shares to vest in May 2016 (2014: 0.5 matching shares; 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 awards to Code Staff, any awards over £500,000 and award vestings that exceed £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 2013 LTIP and five and four years to exercise their options following the three and four year vesting periods (respectively) for the 2014 LTIP. Two thirds of the 2015 LTIP can be exercised from the end of year three and one third from the end of year four.

2013 and 2014 award 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 that the Henderson Group TSR reflects the underlying performance of the Group. For the 2012, 2013 and 2014 LTIP, the performance hurdle is 95% relative to Henderson Group TSR and 5% on risk and sustainability metrics.

Employees may be entitled to dividend equivalents for the 2013 and 2014 LTIP, subject to approval by the Remuneration Committee, 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 2015 LTIP award vesting and release of the award are subject to performance against the following performance conditions measured (as appropriate) over, or at the end of, the relevant three or four year performance period (in respect of the first and second tranche of the award respectively):

2015 award criteria	Weighting
Market conditions	
– FTSE 350	25%
– ASX 100	25%
Non-market	
– Net Fund Flows Condition	15%
– Investment Performance Condition	15%
– Operating Margin Condition	10%
– People Strategy Condition	10%

In respect of the first tranche of the award, an additional holding period of two years shall apply commencing on the relevant vesting date, during which time the participant may not sell, pledge, charge, assign, dispose of or otherwise transfer ownership of the underlying shares pertaining to the award, other than to meet mandatory liabilities to tax and/or social security contributions. In respect of the second tranche of the award, an additional holding period of one year shall apply commencing on the relevant vesting date with similar conditions.

The 2012 LTIP met its vesting conditions on 31 December 2014 and 43% of awards vested in April 2015. The 2013 LTIP met its vesting conditions on 31 December 2015 and 98% of awards will vest in April 2016.

Notes to the financial statements continued

Group and Company continued

11.2 Share-based payments charged to the Consolidated Income Statement from continuing operations

	2015 £m	2014 £m
DEP	**12.6**	12.5
LTIP	**5.7**	3.8
RSP	**5.4**	5.4
BAYE	**1.9**	0.8
ExSOP	**1.3**	0.9
CSOP	**1.1**	0.9
SAYE	**0.5**	0.4
ESOP	**0.4**	2.7
Share-based payments expense	**28.9**	27.4

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

	2015 £m	2014 £m
Share-based payments charged to the Consolidated Income Statement from continuing operations	**28.9**	27.4
Share-based payments charged to the Consolidated Income Statement from discontinued operation	**–**	1.4
Other equity-settled bonuses and other movements	**10.3**	6.5
Amounts settled through equity	**39.2**	35.3

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

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 and BAYE.

	2015		2014	
	Shares/ options granted no.	**Average grant share price £**	Shares/ options granted no.	Average grant share price £
LTIP	**6,192,531**	**2.73**	5,842,500	2.40
DEP	**4,982,915**	**2.86**	4,334,868	2.60
RSP	**1,262,989**	**2.60**	2,496,305	2.42

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

	2015 £m	2015 pence per share	2014 £m	2014 pence per share
Dividends on ordinary shares declared and paid in the year				
Final dividend in respect of 2014 (2013)	**70.9**	**6.40**	64.0	5.85
Interim dividend in respect of 2015 (2014)	**34.5**	**3.10**	28.9	2.60
Total dividends paid and charged to equity	**105.4**	**9.50**	92.9	8.45

	2015 £m	2015 pence per share	2014 £m	2014 pence per share
Dividends proposed on ordinary shares for approval by the shareholders at the AGM				
Final dividend for 2015 (2014)	**81.5**	**7.20**	72.9	6.40

The Board is recommending a final dividend for 2015 of 7.20 pence per share which, when added to the interim 2015 dividend of 3.10 pence per share, results in a total dividend for 2015 of 10.30 pence per share. The final dividend proposed in respect of 2015 of £81.5m is based on the total number of ordinary shares in issue at 31 December 2015. There was a £2.9m decrease between the proposed dividends (2014 final: £72.9m and 2015 interim: £35.4m), as reported in the 2014 Annual Report and the Interim Report for the six months ended 30 June 2015, versus the dividends paid out during the year (2014 final: £70.9m and 2015 interim: £34.5m). 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 2015 will be established by the employee benefit trust trustees on 6 May 2016, being the dividend record date.

13. Segmental information

Group

Henderson is a global investment manager. 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

	2015 £m	2014 £m
Revenues by product on continuing operations		
UK OEICs/unit trusts	**262.5**	254.9
SICAVs	**257.0**	178.7
US mutuals	**82.8**	57.1
Institutional segregated mandates and cash funds	**62.8**	51.8
Offshore absolute return funds	**50.0**	63.3
Other	**40.9**	45.4
Gross fee and deferred income	**756.0**	651.2

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

Geographic information

	2015 £m	2014 £m
Revenues from clients on continuing operations		
UK	**457.9**	447.2
Luxembourg	**179.0**	132.3
Americas	**112.6**	66.5
Australia	**3.7**	1.1
Singapore	**1.4**	1.9
Japan	**1.2**	0.8
Other	**0.2**	1.4
Gross fee and deferred income	**756.0**	651.2

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

Notes to the financial statements continued

Group and Company continued

13. Segmental information continued

	2015 £m	2014 £m
Non-current assets		
UK	**558.1**	670.4
Americas	**85.2**	88.3
Australia	**53.9**	8.0
Other	**0.7**	0.7
	697.9	767.4

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

14. Intangible assets

Group

Intangible assets are analysed as follows:

2015

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	523.7	361.5	14.9	900.1
Additions	29.5	18.7	6.0	54.2
Impact of foreign exchange movement	3.5	3.8	–	7.3
At 31 December	556.7	384.0	20.9	961.6
Accumulated amortisation				
At 1 January	–	(218.5)	(3.7)	(222.2)
Charge	–	(56.2)	(2.6)	(58.8)
At 31 December	–	(274.7)	(6.3)	(281.0)
Carrying value at 31 December	**556.7**	**109.3**	**14.6**	**680.6**

2014

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	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
At 31 December	523.7	361.5	14.9	900.1
Accumulated amortisation				
At 1 January	–	(164.8)	(1.6)	(166.4)
Charge	–	(53.7)	(2.1)	(55.8)
At 31 December	–	(218.5)	(3.7)	(222.2)
Carrying value at 31 December	523.7	143.0	11.2	677.9

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 2015 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 12.7% 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. Interests 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, being 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 Subsidiaries

Company

Investment in subsidiaries

	2015 £m	2014 £m
At 31 December	**1,029.8**	1,030.8

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

Refer to note 34 for the subsidiaries of the Group, excluding the directly held subsidiary of the Company shown above.

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:

	Country of incorporation and principal place of operation	Functional currency	**2015 Percentage owned**	2014 Percentage owned
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%
90 West Asset Management Limited	Australia	AUD	**–**	41%

Notes to the financial statements continued

Group and Company continued

15.2 Investments accounted for using the equity method continued

On 29 May 2015, the Group acquired the remaining 58.6% of the share capital of 90 West. As a result, this investment has been transferred from an investment in associate to an investment in subsidiary. See note 32 for further details.

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

	2015 £m	2014 £m
TH Real Estate share of underlying profit	0.1	2.7
TH Real Estate share of acquisition related and non-recurring items	(0.5)	(7.2)
TH Real Estate share of loss	(0.4)	(4.5)
Share of (loss)/income from other associates and joint ventures	(0.3)	2.4
Total share of loss	(0.7)	(2.1)

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

	As at 31 December 2015 £m	As at 31 December 2014 £m
Non-current assets	–	173.7
Current assets	–	50.9
Current liabilities	–	(51.2)
Non-current liabilities	–	(3.4)
Net assets	–	170.0

No assets or liabilities are shown as at 31 December 2015 as the Group sold its stake in TH Real Estate on 1 June 2015. Included in TH Real Estate's current assets as at 31 December 2014 was £21.7m of cash and cash equivalents.

Disposal of TH Real Estate

On 1 June 2015, the Group sold its 40% stake in TH Real Estate, with a carrying value of £72.9m, for consideration of £84.3m. At 31 December 2014, the Group was due £15.5m from TH Real Estate relating to trading and other assets. This was fully repaid in 2015 prior to or as a part of the 1 June 2015 transaction.

	For the 5 months ended 31 May 2015			For the 9 months ended 31 December 2014		
	Underlying profit £m	Acquisition related and non-recurring items £m	Total £m	Underlying profit £m	Acquisition related and non-recurring items £m	Total £m
Income	28.0	–	28.0	49.4	–	49.4
Operating expenses	(25.2)	–	(25.2)	(39.4)	(2.8)	(42.2)
Amortisation and depreciation	(0.7)	(2.6)	(3.3)	(1.2)	(5.6)	(6.8)
Profit/(loss) before tax	2.1	(2.6)	(0.5)	8.8	(8.4)	0.4
Tax (charge)/credit	(0.5)	0.5	–	(2.1)	1.6	(0.5)
Profit/(loss) after tax	1.6	(2.1)	(0.5)	6.7	(6.8)	(0.1)

In addition to the £0.1m loss above for the nine months ended 31 December 2014, TH Real Estate also incurred establishment costs of £11.3m (Group's share after tax of £4.5m recognised in non-recurring items). During 2015, a £0.3m reduction was made to the Group's share of establishment costs within non-recurring items.

15.3 Interests in unconsolidated structured entities

Group

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

£bn	Total AUM	Less: segregated mandates and investment trusts	Less: consolidated pooled investment funds	Pooled investment funds AUM
31 December 2015	**92.0**	**(25.5)**	**(0.2)**	**66.3**
31 December 2014	81.2	(26.6)	(0.1)	54.5

During the year, the Group recognised gross fee and deferred income of £657.6m (2014: £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
31 December 2015	**5.5**	**92.9**	**4.3**	**102.7**
31 December 2014	7.6	127.5	3.5	138.6

16. Property and equipment

Group

	2015 £m	2014 £m
Cost		
At 1 January	**25.0**	32.1
Additions	**1.9**	1.6
Disposals	**–**	(8.8)
Impact of foreign exchange movement	**–**	0.1
At 31 December	**26.9**	25.0
Accumulated depreciation		
At 1 January	**(9.9)**	(15.1)
Charge	**(2.6)**	(2.6)
Disposals	**–**	7.8
At 31 December	**(12.5)**	(9.9)
Net book value at 31 December	**14.4**	15.1

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:

		Carrying value		Fair value	
	Notes	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Financial assets at fair value through profit or loss		**145.7**	35.9	**145.7**	35.9
Financial assets at fair value through profit or loss classified as held for sale	9.2	**–**	71.7	**–**	71.7
Total financial assets at fair value through profit or loss		**145.7**	107.6	**145.7**	107.6
Available-for-sale financial assets		**64.6**	71.0	**64.6**	71.0
Available-for-sale financial assets classified as held for sale	9.2	**–**	4.8	**–**	4.8
Total available-for-sale financial assets		**64.6**	75.8	**64.6**	75.8
Accrued income, OEIC and unit trust debtors, trade debtors and other debtors		**221.4**	267.6	**221.4**	267.6
Cash and cash equivalents	19.1	**381.6**	234.5	**381.6**	234.5
Cash and cash equivalents classified as held for sale	9.2	**–**	8.3	**–**	8.3
Total loans and receivables		**603.0**	510.4	**603.0**	510.4
Total financial assets		**813.3**	693.8	**813.3**	693.8
Debt instrument in issue	20	**149.9**	149.4	**151.4**	157.4
Trade and other payables (excluding deferred income)		**301.0**	300.9	**301.0**	300.9
Total loans and payables carried at amortised cost		**450.9**	450.3	**452.4**	458.3
Financial liabilities at fair value through profit or loss		**119.3**	57.2	**119.3**	57.2
Financial liabilities at fair value through profit or loss classified as held for sale	9.2	**–**	26.0	**–**	26.0
Provisions	22	**11.9**	12.8	**11.9**	12.8
Total financial liabilities at fair value through profit or loss		**131.2**	96.0	**131.2**	96.0
Total financial liabilities		**582.1**	546.3	**583.6**	554.3

Financial assets at fair value through profit or loss mainly consist of seed capital investments, investments and derivatives held in consolidated funds 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 deferred compensation liabilities. Both movements are recognised through the Consolidated Income Statement. Available-for-sale financial assets consist of seed capital investments and investments in consolidated funds.

The Group enters into forward foreign exchange contracts to hedge seed capital investments 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. 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 2015, the Company held financial assets at fair value through profit or loss with a carrying and fair value of £41.7m (2014: £34.6m). These investments are classified as Level 1 and Level 2 using the hierarchy set out on the following page. As at 31 December 2015, the Company held financial liabilities at fair value through profit or loss with a carrying and fair value of £28.2m (2014: £26.1m), which were classified as Level 3 using the hierarchy set out on the following page. During 2015, there were no transfers in to or out of Level 1, Level 2 and Level 3 (2014: £nil).

Group

Fair value hierarchy

The following asset and liability 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 2015

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets				
Financial assets at fair value through profit or loss	145.7	79.0	66.2	0.5
Available-for-sale financial assets	64.6	10.1	15.5	39.0
Total financial assets measured at fair value	**210.3**	**89.1**	**81.7**	**39.5**

At 31 December 2014

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets				
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
Total financial assets measured at fair value	183.4	126.7	8.9	47.8

At 31 December 2015

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial liabilities				
Financial liabilities at fair value through profit or loss	119.3	8.8	5.4	105.1
Provisions	11.9	–	–	11.9
Total financial liabilities measured at fair value	**131.2**	**8.8**	**5.4**	**117.0**

At 31 December 2014

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial liabilities				
Financial liabilities at fair value through profit or loss	83.2	–	–	83.2
Provisions	12.8	–	–	12.8
Total financial liabilities measured at fair value	96.0	–	–	96.0

Level 2 financial liabilities at fair value through profit or loss are derivative instruments related to seed capital investments and investments made by consolidated funds. Level 3 financial liabilities at fair value through profit or loss represent non-controlling interests in consolidated funds, the deferred compensation liabilities which are held against the investments in the Group's fund products, contingent deferred consideration and provisions. With respect to non-controlling interests in consolidated funds, 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 2.2 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 owners of the parent. Total financial liabilities measured at fair value and classified as Level 3 have increased by £21.0m in the year to £117.0m as at 31 December 2015. This movement is primarily due to £21.5m additional investment in consolidated funds. The remaining difference reflects the movement in provisions and other items recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income.

Notes to the financial statements continued

Group and Company continued

17. Fair value of financial instruments continued

During 2015, there were no transfers in or out of Level 1, Level 2 and Level 3 (2014: £nil).

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

	2015 £m	2014 £m
Fair value at 1 January	**47.8**	61.4
Additions	**0.5**	1.9
Disposals	**(23.9)**	(22.8)
Movements recognised in the Consolidated Income Statement	**9.9**	–
Transferred from Consolidated Statement of Comprehensive Income to Consolidated Income Statement	**(9.6)**	(0.6)
Fair value movements recognised in the Consolidated Statement of Comprehensive Income	**14.8**	7.9
Fair value at 31 December	**39.5**	47.8

Level 3 investments at 31 December 2015 mainly comprise private equity 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. The Group disposed of its Level 3 property investments during 2015. 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 2015 valuations. The events between valuation date and reporting date have been considered with respect to the 30 September 2015 valuations and no adjustments were considered necessary.

18. Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Accrued income	**120.6**	147.1	**–**	–
OEIC and unit trust debtors	**77.7**	87.1	**–**	–
Trade debtors	**10.4**	10.0	**–**	–
Other debtors	**12.7**	23.4	**0.1**	0.3
Prepayments	**7.4**	7.6	**–**	–
Deferred acquisition costs	**4.0**	2.0	**–**	–
Amounts owed by subsidiaries	**–**	–	**8.7**	2.3
	232.8	277.2	**8.8**	2.6
Non-current	**0.1**	1.3	**–**	–
Current	**232.7**	275.9	**8.8**	2.6
	232.8	277.2	**8.8**	2.6

19. Cash and cash equivalents

19.1 Cash at bank and in hand and cash equivalents

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cash at bank and in hand	**308.5**	197.6	**7.2**	7.3
Cash equivalents	**73.1**	36.9	**–**	–
Cash at bank and in hand and cash equivalents	**381.6**	234.5	**7.2**	7.3

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 2015 are £1.7m (2014: £2.1m) 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, £0.1m (2014: £0.2m) rental guarantee deposits and £27.2m (2014: £4.5m) of cash held by consolidated structured entities. After deducting these restricted cash balances, total unrestricted cash is £352.6m (2014: £227.7m).

19.2 Net cash flows generated from operating activities

Group

	Notes	2015 £m	2014 £m
Net cash flows generated from operating activities			
Profit before tax from total operations		**167.9**	283.4
Adjustments to reconcile profit before tax from total operations to net cash flows generated from operating activities:			
– debt instruments interest expense		**11.3**	11.6
– share-based payment charges		**28.9**	28.8
– intangible amortisation		**59.6**	57.6
– share of (income)/loss from associates and joint ventures		**(0.1)**	0.3
– property and equipment depreciation	16	**2.6**	2.6
– gain on disposal of seed capital investments		**(11.0)**	(3.7)
– loss on disposal of property and equipment		**–**	0.8
– contributions to Group pension schemes in excess of costs recognised		**(5.0)**	(5.5)
– net movements on other provisions		**0.4**	0.1
– other finance charges		**2.7**	1.5
– other finance income		**(0.2)**	–
– seed capital investment impairment		**1.0**	0.6
– gain on sale of associates	7	**(12.4)**	(11.5)
– profit on disposal of Property business before tax and deal and separation costs	9.1	**–**	(148.9)
Net cash flows generated from operating activities before changes in operating assets and liabilities		**245.7**	217.7
Changes in operating assets and liabilities	19.3	**33.5**	(74.7)
Net tax paid		**(9.4)**	(20.0)
Net cash flows generated from operating activities		**269.8**	123.0

Included within net cash flows generated from operating activities are cash outflows relating to non-recurring items of £2.5m (2014: £11.3m).

19.3 Changes in operating assets and liabilities

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Changes in OEIC and unit trust debtors and creditors	**(0.1)**	(9.7)	**–**	–
Decrease/(increase) in other assets	**29.6**	(31.5)	**(13.3)**	(18.5)
Increase/(decrease) in provisions and other liabilities	**4.0**	(33.5)	**(75.9)**	40.2
Changes in operating assets and liabilities	**33.5**	(74.7)	**(89.2)**	21.7

20. Debt instrument in issue

Group

	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Senior, unrated fixed rate notes due 24 March 2016 (2016 Notes)	**149.9**	**151.4**	149.4	157.4

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.

Notes to the financial statements continued

Group and Company continued

21. Retirement benefits

Group

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. The triennial valuation as at 31 December 2014 is currently being carried out. 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 2015.

The Group expects to contribute approximately £7.5m to the HGPS in the year ending 31 December 2016 (defined benefit and money purchase sections) based on the triennial valuation as at 31 December 2011. Benefits paid via the unfunded arrangements are paid directly by the Group and are expected to be £0.1m in 2016.

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

	2015 £m	2014 £m
Retirement benefit assets recognised in the Consolidated Statement of Financial Position		
Henderson Group Pension Scheme	130.0	128.1
Retirement benefit obligations recognised in the Consolidated Statement of Financial Position		
Henderson Group unapproved pension scheme	(8.1)	(8.5)
Net retirement benefit asset recognised in the Consolidated Statement of Financial Position	121.9	119.6

Pension service cost recognised in the Consolidated Income Statement

	2015 £m	2014 £m
Charges/(credits) relating to defined benefit and unapproved schemes		
Administration costs	0.9	0.8
Current service cost	1.0	1.1
Net interest credit	(4.8)	(4.5)
	(2.9)	(2.6)
Contributions to money purchase members' accounts	5.3	5.1
Net charge to the Consolidated Income Statement	2.4	2.5

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

	2015 £m	2014 £m
Actuarial (losses)/gains	(1.2)	29.4
Tax at source	(1.7)	(11.8)
Net (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	**(2.9)**	17.6

Reconciliation of present value of defined benefit obligations

	2015 £m	2014 £m
At 1 January	**479.4**	414.9
Current service cost	1.0	1.1
Interest cost	16.9	18.4
Actuarial (gains)/losses arising from:		
– experience	(3.8)	(3.8)
– changes in financial assumptions	(15.6)	62.7
Benefit payments	(20.4)	(13.9)
At 31 December	**457.5**	479.4

Reconciliation of fair value of defined benefit scheme assets

	2015 £m	2014 £m
At 1 January	**613.0**	513.6
Interest credit	21.7	22.9
Administration costs	(0.9)	(0.8)
Actuarial (losses)/gains arising from scheme assets	(20.6)	88.3
Contributions	2.1	2.8
Benefit payments	(20.2)	(13.8)
At 31 December	**595.1**	613.0

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

	2015 £m	2014 £m
Present value of defined benefit obligations	(457.5)	(479.4)
Fair value of defined benefit scheme assets	595.1	613.0
Tax at source	(15.7)	(14.0)
At 31 December	**121.9**	119.6

Pension scheme assets

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

	2015 £m	2014 £m
Growth portfolio		
– infrastructure	–	5.5
– diversified growth	129.9	125.7
Bond assets	435.5	452.0
Buy and maintain credit fund	28.4	28.4
Cash and cash equivalents	1.3	1.4
At 31 December	**595.1**	613.0

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. 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. All of the HGPS assets are quoted in active markets.

Notes to the financial statements continued

Group and Company continued

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:

	2015 % per annum	2014 % per annum
Discount rate	**3.8**	3.6
Rate of increase in pensionable salaries	**2.5**	2.5
Inflation (RPI)	**3.0**	3.1
Inflation (CPI)	**2.0**	2.1
Post-retirement mortality (expectancy of life):	**years**	years
Male currently aged 60	**28.5**	28.3
Female currently aged 60	**30.0**	29.3
Male aged 60 in 15 years	**30.0**	29.7
Female aged 60 in 15 years	**31.5**	31.3

Amount, timing and uncertainty of future cash flows

The approximate impact of changing these main assumptions on the defined benefit obligation at 31 December 2015 is as follows:

- reducing the discount rate by 0.1% per annum would increase the IAS 19 defined benefit obligation by £9.0m (2014: £9.0m);
- increasing RPI inflation by 0.1% per annum would increase the IAS 19 defined benefit obligation by £3.0m (2014: £3.0m); and
- increasing the life expectancy of members by one year would increase the IAS 19 defined benefit obligation by £14.0m (2014: £14.0m).

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 19 years (2014: 20 years).

22. Provisions

Group

	Void properties £m	Other £m	Total £m
At 1 January 2015	11.6	1.2	12.8
Additions	–	0.4	0.4
Finance charge	0.7	–	0.7
Utilised	(2.0)	–	(2.0)
At 31 December 2015	**10.3**	**1.6**	**11.9**
Non-current	8.8	1.2	10.0
Current	1.5	0.4	1.9
At 31 December 2015	**10.3**	**1.6**	**11.9**

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 10 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.

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
At 1 January 2014	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)
At 31 December 2014	1.0	(18.4)	(18.6)	30.7	2.4	(2.9)
Acquisitions through business combinations	–	–	(4.8)	–	–	(4.8)
(Charge)/credit to the Consolidated Income Statement	(0.4)	1.8	10.6	(2.6)	0.7	10.1
Charge to the Consolidated Statement of Comprehensive Income	–	(0.1)	–	–	–	(0.1)
Credit to the Consolidated Statement of Changes in Equity	–	–	–	3.7	–	3.7
Impact of foreign exchange movement	–	–	(0.4)	–	0.3	(0.1)
At 31 December 2015	**0.6**	**(16.7)**	**(13.2)**	**31.8**	**3.4**	**5.9**

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 2014	36.0	(38.9)	(2.9)
At 31 December 2015	**37.5**	**(31.6)**	**5.9**

The future reduction in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and then to 18% with effect from 1 April 2020 was substantively enacted in 2015. These tax rate changes have resulted in a reduction of the Group's deferred tax assets and deferred tax liabilities of £3.0m and £1.9m respectively.

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 £14.1m (2014: £10.9m), of which £0.7m (2014: £0.5m) will expire in three years (2014: 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 £1.4m (2014: £6.9m). 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 (2014: £nil).

Notes to the financial statements continued

Group and Company continued

24. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
OEIC and unit trust creditors	**77.7**	87.2	**–**	–
Other creditors	**11.6**	11.5	**0.9**	3.0
Accruals	**211.7**	202.2	**0.2**	0.2
Deferred income	**1.0**	2.5	**–**	–
Amounts owed to subsidiaries	**–**	–	**20.1**	125.9
	302.0	303.4	**21.2**	129.1
Non-current	**10.7**	13.2	**–**	–
Current	**291.3**	290.2	**21.2**	129.1
	302.0	303.4	**21.2**	129.1

25. Share capital

Group and Company

25.1 Authorised share capital

	2015 £m	2014 £m
2,194,910,776 (2014: 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
At 1 January 2014	1,123,422,286	140.4
Issue of shares for share schemes	15,744,909	2.0
At 31 December 2014	1,139,167,195	142.4
Issue of shares for share schemes	1,687,715	0.2
Cancellation of shares	(9,012,801)	(1.1)
At 31 December 2015	**1,131,842,109**	**141.5**

During the year, the Company purchased and cancelled 9.0m shares at a cost of £25.0m through a share buyback programme.

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 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.

26. Reserves

Group and Company

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.

Nature and purpose of reserves

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 £106.9m (2014: £94.7m) and a market value of £143.3m (2014: £103.8m) as at 31 December 2015 and constituted 4.1% (2014: 4.3%) of the Company's issued share capital as at that date.

	2015 no. of shares	2014 no. of shares
Henderson Employee Trust 2000	2,115,862	316,941
HHG plc Employee Trust 2004	10,000	60,000
Henderson Employee Trust 2009	27,826,741	28,656,728
Henderson Group plc Employee Trust 2009	12,180,438	15,603,766
ACS HR Solutions UK Limited	1,119,140	931,116
Henderson Employee Share Ownership Trust	3,035,913	2,933,747
	46,288,094	48,502,298

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 or the holding period ends, 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 subsidiaries, whose functional currency is not GBP to 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;
- transactions relating to share-based payments; and
- amounts paid in excess of the nominal value of the Company's shares under the share buyback programme.

27. Financial risk management

Financial risk management objectives and policies

Financial assets principally comprise investments in equity securities, fixed income investments, short-term investments, trade and other receivables and cash and cash equivalents. Financial liabilities comprise borrowings for financing purposes, trade and other payables, non-controlling interests in consolidated funds, deferred consideration on business combinations 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.

Notes to the financial statements continued

Group and Company continued

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, financial assets at fair value through profit or loss 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 one year to three years for equity, fixed income and multi-asset products and approximately 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 2015, was £117.3m (2014: £116.4m including those designated as held for sale).

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 2015, investments with a market value of £96.7m (2014: £80.0m) were hedged against price risk through the use of CFDs, CDXs, futures and TRSs.

Price risk sensitivity analysis on seed capital investments

	2015		2014	
	Consolidated Income Statement £m	**Consolidated Statement of Comprehensive Income £m**	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
Market value movement +/- 10%	**–**	**4.3**	–	3.6

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. However, likely possible movements in interest rates on the Group's bank accounts do not cause a material difference to the Consolidated Income Statement. Seed capital investments are not currently exposed to interest rate risk. This exposure is monitored by management on a continuous basis.

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 2015

	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)	155.4	–	–	155.4	152.9
Trade and other payables (excluding deferred income and accrued debt interest)	287.3	10.7	–	298.0	298.0
Financial liabilities at fair value through profit or loss	98.0	26.5	–	124.5	119.3
Provisions	2.6	6.6	2.7	11.9	11.9
	543.3	**43.8**	**2.7**	**589.8**	**582.1**

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)	286.5	11.4	–	297.9	297.9
Financial liabilities at fair value through profit or loss	52.1	35.8	1.9	89.8	83.2
Provisions	3.4	8.0	3.4	14.8	12.8
	352.9	**210.6**	**5.3**	**568.8**	**546.3**

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.

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 and financial assets at fair value through profit or loss) and consolidated structured entities with a year end notional value of USD130.0m, EUR7.7m and A$38.3m (2014: USD80.2m, EUR10.9m and A$30.0m).

Foreign currency risk sensitivity analysis

Fund related investments are either denominated in GBP or hedged back to GBP using forward foreign currency contracts based on the Group's hedging policy. 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

	2015		2014	
	Consolidated Income Statement £m	**Consolidated Statement of Comprehensive Income £m**	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
US dollar +/- 10%	**2.5**	**3.8**	0.7	0.6
Singaporean dollar +/- 10%	**0.4**	**0.9**	2.1	1.0
Australian dollar +/- 10%	**1.0**	**0.1**	0.7	0.2
Japanese yen +/- 10%	**0.2**	**0.3**	0.1	0.1
Euro +/- 10%	**2.9**	**1.5**	3.3	3.8

Notes to the financial statements continued

Group and Company continued

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. Other than as part of the wind-down of private equity (£3.3m), the Group has not suffered any losses as a result of trade debtor or counterparty defaults during the year (2014: £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 2015

	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, trade debtors and other debtors	**211.0**	**9.1**	**–**	**0.7**	**0.6**	**221.4**

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, trade debtors and other debtors	258.8	2.4	1.4	4.9	0.1	267.6

Included within financial assets is £nil (2014: £45.1m) due from a single fund where the Group has a priority call on assets.

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 2015

	AAA £m	AA £m	A £m	BBB/ not rated £m	Total £m
Cash and cash equivalents	**78.0**	**193.1**	**96.2**	**14.3**	**381.6**

At 31 December 2014

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

28. Leases

Group

Operating leases

The Group is party to property leases in the UK and internationally. 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 UK 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 nine months, seven years and 10 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 Group also has property leases in Australia, Singapore and the USA.

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

	2015 £m	2014 £m
Within one year	16.1	15.1
In two to five years inclusive	56.8	52.9
After five years	72.8	84.0
Total	145.7	152.0

The total future minimum sublease payments expected to be received under non-cancellable subleases within one year at the reporting date, were £7.0m (2014: £6.1m).

29. Capital commitments

Group and Company

The amounts of capital expenditure contracted for but not provided for in the financial statements at 31 December 2015 amounted to £nil (2014: £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:

	Notes	2015 £m	2014 £m
Transactions with related parties during the year			
Movements in capital contributions to indirect subsidiary companies		(1.0)	28.8
Dividends received		277.0	98.4
Net settlement of balances with subsidiary companies		(112.2)	24.2
Amounts owed by/(to) related parties at 31 December			
Amounts owed by subsidiary companies	18	8.7	2.3
Amounts owed to subsidiary companies	24	(20.1)	(125.9)

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.

Notes to the financial statements continued

Group and Company continued

30. Related party transactions continued

Compensation of key management personnel (including Directors)

The aggregate annual remuneration of Executive Committee members and all Directors, representing key management personnel, is disclosed below for 2015 (all Code Staff were classified as key management personnel in 2014. The remuneration of the additional staff members disclosed in 2014 amounted to £2.3m):

	2015 £m	2014 £m
Short-term employee benefits	**14.2**	15.0
Post-employment benefits	**0.3**	0.4
Share-based payments	**15.5**	5.9
	30.0	21.3

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 2015, there were 8.9m unvested £nil cost options (2014: 11.3m) and 7.0m unvested £nil cost shares outstanding (2014: 2.2m) for this population. In addition, the value of unvested units held in funds at 31 December 2015 was £3.6m (2014: £2.7m).

31. Contingent liabilities

Group

The following contingent liabilities existed or may exist at 31 December 2015:

- 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;
- 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 tax warranties relating to 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 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, the Group gave to: (a) Sesame and OIML, certain warranties relating to OIML; and (b) 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 (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 have expired and no claims have been notified that the Group considers likely to give rise to a liability. 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 (US Property Business) to Teachers Insurance and Annuity Association of America (TIAA), the Group gave an indemnity (with no express expiry date) against certain losses that may arise from (i) any liabilities specifically excluded from the transaction, (ii) all taxes of the Group not relating to the US Property Business and any pre-completion taxes and (iii) certain employee related liabilities other than any that may be assumed by TIAA under the Asset Purchase Agreement;
- 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;
- 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 for 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; and
- Under the Share Sale Agreement dated 28 April 2015 relating to the acquisition by entities controlled by TIAA-CREF of Henderson Global Investors (Holdings) Limited's remaining 40% shareholding in TIAA Henderson Real Estate Limited, the Group gave certain warranties relating to itself and its shareholding in TIAA Henderson Real Estate Limited. These warranties are subject to certain exclusions and limitations (including a financial cap) and will expire on 1 June 2017.

As at the date of approval of the 2015 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.

Notes to the financial statements continued

Group and Company continued

32. Movements in controlled entities

Group

32.1 Acquisitions

Acquisition of Perennial Fixed Interest Partners Pty Ltd (PFI) and Perennial Growth Management Pty Ltd (PGM)

On 1 November 2015, the Group acquired the entire issued share capital of PFI and PGM (together Perennial). This acquisition will allow the Group to continue its strategy to grow and globalise and to leverage the distribution platforms on which Perennial funds are included for other Group products. These benefits are reflected in the value of the goodwill recognised.

The Group made an initial cash payment of A$76.5m (£35.3m). Contingent deferred consideration that meets the definition of consideration for the business, payable over four years if revenue retention and growth targets are achieved, is also potentially payable. The gross amount of deferred consideration potentially payable will be between A$nil and A$15.0m (£nil and £6.9m).

	2015 £m
Cash	35.3
Present value of contingent deferred consideration	0.4
Total consideration	**35.7**
Less:	
Assets recognised in completion balance sheet (including £0.6m of cash)	0.7
Investment management contracts (IMCs) recognised on consolidation	16.1
	16.8
Residual goodwill balance recognised before deferred tax	18.9
Deferred tax on IMCs recognised on consolidation	4.8
Goodwill recognised	**23.7**

Perennial contributed income and profit after tax of £2.0m and £0.6m respectively between the acquisition date and 31 December 2015. Had Perennial been acquired on 1 January 2015, the business would have contributed income and profit after tax of £12.1m and £3.5m respectively to the 2015 Consolidated Income Statement.

Contingent payments linked to the continuing employment of the sellers will be recognised through the Consolidated Income Statement over the period of the earn-out as an acquisition related charge.

The goodwill recognised is not deductible for tax purposes.

Due to the close proximity of the transaction to the reporting date, the accounting entries are provisional. However, the initial figures recognised are not expected to materially change.

Acquisition of 90 West Asset Management Limited (90 West)

On 29 May 2015, the Group acquired the remaining 58.6% of the shares of 90 West. The acquisition of 90 West will enable the Group to fully benefit from the pipeline of new business the Group and 90 West created together, this being the main driver of the goodwill recognised. 90 West was previously equity accounted for as an associate and has now been fully consolidated. The total cost of the acquisition recognised is A$12.2m (£6.1m) comprising: an upfront payment of A$4.3m (£2.2m); deferred consideration of A$2.8m (£1.4m); and the fair value of the Group's previously held 41.4% interest at A$5.1m (£2.5m). Contingent payments linked to the continuing employment of the sellers will be recognised through the Consolidated Income Statement over the period of the earn-out as an acquisition related charge. The consideration of A$12.2m (£6.1m) less net assets acquired of A$0.7m (£0.3m) has been recognised as goodwill.

32.2 Disposals

On 27 January 2015, the Group disposed of its controlling interest in the following entity:

- Anglo-Sino Henderson Investment Consultancy (Beijing) Co Ltd.

33. Events after the reporting date

Group

The Board had not, as at 10 February 2016, 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 10 February 2016, the Group entered into a revolving credit facility for £30.0m. Currently, there are no amounts drawn down.

34. Subsidiaries of the Group

Group

The subsidiaries of the Group are as follows:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2015	Principal activity
Advizas Limited	UK	GBP	100%	Company in liquidation
Alphagen Capital Limited	UK	GBP	100%	Investment management services
Asset Management Holdings	UK	GBP	100%	Company in liquidation
CLOF II UK Limited	UK	GBP	100%	Investment holding company
Gartmore Capital Management Limited	UK	GBP	100%	Company in liquidation
Gartmore Group Limited	Cayman Islands	GBP	100%	Holding company
Gartmore Investment Limited	UK	GBP	100%	Investment management services
Gartmore Investment Management Limited	UK	GBP	100%	Holding company
Gartmore Investment Services GmbH	Germany	EUR	100%	Company in liquidation
Gartmore Investment Services Limited	UK	GBP	100%	Holding company
Gartmore Securities Limited	UK	GBP	100%	Company in liquidation
Gartmore Services Limited	Jersey	GBP	100%	Professional services
Gartmore US Limited	UK	GBP	100%	Company in liquidation
Geneva Capital Management LLC	USA	USD	100%	Investment management services
Gibran Securities Pty Limited	Australia	AUD	100%	Holding company
G.I.L. Nominees Limited	UK	GBP	100%	Dormant company
H3 Global Advisors Limited	UK	GBP	100%	Company in liquidation
H3 Global Advisors Pty Limited	Australia	AUD	100%	Investment management services
Henderson Administration Limited	UK	GBP	100%	Administrative services
Henderson AE Pty Limited	Australia	AUD	100%	Investment management services
Henderson AFI Pty Limited	Australia	AUD	100%	Investment management services
Henderson Alternative Investment Advisor Limited	UK	GBP	100%	Holding company
Henderson Asset Management Limited	UK	GBP	100%	Holding company
Henderson (Bull Ring) Limited	UK	GBP	100%	Company in liquidation
Henderson Equity Holdings LLC	USA	USD	100%	Holding company
Henderson Equity Partners (GP) Limited	UK	GBP	100%	General partner
Henderson Equity Partners Funds Limited	Jersey	GBP	100%	Investment holding company
Henderson Equity Partners India Private Limited	India	INR	100%	Investment management services
Henderson Equity Partners Jersey (GP) Limited	Jersey	GBP	100%	General partner
Henderson Equity Partners Limited	UK	GBP	100%	Investment management services
Henderson Finances	UK	GBP	100%	Holding company
Henderson Fund Management (Luxembourg) SA	Luxembourg	EUR	100%	Company in liquidation
Henderson Fund Management Limited	UK	GBP	100%	Investment management services
Henderson Global Group Limited	Ireland	GBP	100%	Holding company
Henderson Global Investors (Australia) Funds Management Limited	Australia	AUD	100%	Investment management services
Henderson Global Investors (Australia) Institutional Funds Management Limited	Australia	AUD	100%	Investment management services
Henderson Global Investors (Australia) Limited	Australia	AUD	100%	Administrative services
Henderson Global Investors (Brand Management) Sarl	Luxembourg	GBP	100%	Intellectual property
Henderson Global Investors (Holdings) Limited	UK	GBP	100%	Holding company
Henderson Global Investors (Hong Kong) Limited	Hong Kong	HKD	100%	Investment management services
Henderson Global Investors (International Holdings) BV	Netherlands	EUR	100%	Holding company
Henderson Global Investors (Ireland) Limited	Ireland	EUR	100%	Investment management services

Notes to the financial statements continued

Group and Company continued

34. Subsidiaries of the Group continued

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2015	Principal Activity
Henderson Global Investors (Japan) Limited	Japan	JPY	100%	Investment management services
Henderson Global Investors (North America) Inc	USA	USD	100%	Investment management services
Henderson Global Investors (Schweiz) AG	Switzerland	CHF	100%	Marketing services
Henderson Global Investors (Singapore) Limited	Singapore	SGD	100%	Investment management services
Henderson Global Investors Asset Management Limited	UK	GBP	100%	Holding company
Henderson Global Investors BV	Netherlands	EUR	100%	Marketing services
Henderson Global Investors Equity Planning Inc	USA	USD	100%	Investment management services
Henderson Global Investors Geneva (Luxembourg) Finance SA	Luxembourg	USD	100%	Group financing
Henderson Global Investors Geneva Finance Limited	UK	USD	100%	Holding company
Henderson Global Investors Limited	UK	GBP	100%	Investment management services
Henderson Global Investors NPC Holdings LLC	USA	USD	100%	Holding company
Henderson Holdings Group BV	Netherlands	GBP	100%	Holding company
Henderson Holdings Group Limited	UK	GBP	100%	Holding company
Henderson Holdings Limited	UK	GBP	100%	Holding company
Henderson International GP LLC	USA	USD	100%	General partner
Henderson International Inc	USA	USD	100%	Holding company
Henderson Investment Consulting (Beijing) Limited	China	CNY	100%	Investment management services
Henderson Investment Funds Limited	UK	GBP	100%	Investment management services
Henderson Investment Management Limited	UK	GBP	100%	Investment management services
Henderson Investors Limited	UK	GBP	100%	Company in liquidation
Henderson Management SA	Luxembourg	USD	100%	Investment management services
Henderson Nominees Limited	UK	GBP	100%	Dormant company
Henderson Secretarial Services Limited	UK	GBP	100%	Company secretarial services
Henderson UK Finance plc	UK	GBP	100%	Group financing
Henderson Unit Trusts Limited	UK	GBP	100%	Dormant company
HEP (GP) Limited	UK	GBP	100%	General partner
HGI (Investments) Limited	UK	GBP	100%	Investment holding company
HGI Asset Management Group Limited	UK	GBP	100%	Holding company
HGI Group Limited	UK	GBP	100%	Holding company
HGI OMP UK Limited	UK	GBP	100%	Investment holding company
HGP2 Limited	UK	GBP	100%	General partner
HGP3 Limited	UK	GBP	100%	General partner
HGP4 Limited	UK	GBP	100%	General partner
HGP5 Limited	UK	GBP	100%	General partner
HPC Nominees Limited	UK	GBP	100%	Dormant company
New Star Asset Management (Bermuda) Limited	Bermuda	GBP	100%	Investment management services
New Star Asset Management Group Limited	UK	GBP	100%	Holding company
New Star Institutional Managers Holdings Limited	UK	GBP	100%	Company in liquidation
New Star International Investment Products Limited	Bermuda	GBP	100%	Dormant company
Oxford Acquisition III Limited	UK	GBP	100%	Group financing
UKFP (Asia) Nominees Limited	British Virgin Islands	HKD	100%	Dormant company
UKLS Financial Planning Limited	UK	GBP	100%	Company in liquidation
90 West Asset Management Limited	Australia	AUD	100%	Investment management services

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.

OTHER INFORMATION

Contents

Glossary

90 West
90 West Asset Management Limited

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

ASX Principles
The ASX Corporate Governance Council issued Corporate Governance Principles and Recommendations

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

CDXs
Credit default indices

CFDs
Contracts for difference

CFO
Chief Financial 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 fee income from continuing operations, calculated on an underlying profit basis

CPI
Consumer Price Index

CRO
Chief Risk Officer

CSOP
Company Share Option Plan

DEP
Deferred Equity Plan

Directors
The directors of Henderson Group plc

EBITDA
Earnings before interest, tax, depreciation and amortisation

EMEA
Europe, Middle East and Africa

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
UK Financial Conduct Authority

FRC
UK Financial Reporting Council

FSCS
Financial Services Compensation Scheme

FTE
Full-Time Equivalent

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

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

IFRS IC
International Financial Reporting Standards Interpretations Committee

IFRS
International Financial Reporting Standards as adopted by the European Union

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

MiFID II
Markets in Financial Instruments Directive 2

net margin
Underlying profit before tax 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

Perennial
Perennial Fixed Interest Partners Pty Limited and Perennial Growth Management Pty Limited

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 Code
Financial Reporting Council issued UK Corporate Governance Code

UK Companies Act
Companies Act 2006

UNPRI
United Nations Principles for Responsible Investment

Shareholder information

As at 10 February 2016

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

The issued share capital of Henderson Group plc consisted of 1,131,842,109 shares held by 41,554 security holders. This included 595,978,320 shares, held by CHESS Depositary Nominees Pty Limited (CDN), quoted on the ASX in the form of CHESS Depositary Interests (CDIs) and held by 36,794 CDI holders. Each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken on a poll. CDI holders can instruct CDN to appoint a proxy on their behalf and can direct the proxy how to vote on the basis of one vote per person taken by a show of hands, and one vote per CDI on a vote taken on a poll.

Twenty largest share/CDI holders

		Shares/CDIs	% of issued capital
1	J P Morgan Nominees Australia Limited	122,903,421	10.86
2	HSBC Custody Nominees (Australia) Limited	104,503,909	9.23
3	Citicorp Nominees Pty Limited	94,066,322	8.31
4	Chase Nominees Limited	84,779,218	7.49
5	National Nominees Limited	78,549,416	6.94
6	State Street Nominees Limited	76,307,404	6.74
7	Wealth Nominees Limited	58,471,097	5.17
8	BNP Paribas Noms Pty Ltd	55,908,998	4.94
9	Vidacos Nominees Limited	44,630,373	3.94
10	RBC Investor Services Australia Nominees Pty Limited	25,841,096	2.28
11	HSBC Global Custody Nominee (UK) Limited	17,904,078	1.58
12	Hargreaves Lansdown (Nominees) Limited	16,729,253	1.48
13	Nutraco Nominees Limited	12,524,455	1.11
14	AMP Life Limited	12,208,542	1.08
15	BNY Mellon Nominees Limited	8,471,507	0.75
16	The Bank of New York (Nominees) Limited	6,661,721	0.59
17	Hanover Nominees Limited	6,309,539	0.56
18	Lynchwood Nominees Limited	5,249,078	0.46
19	UBS Wealth Management Australia Nominees Pty Ltd	2,776,835	0.24
20	Dr Peter Malcolm Heyworth	1,894,013	0.17
Top 20 total		836,690,275	73.92
Total shares		1,131,842,109	100.00

Distribution of share/CDI holdings

Categories	Number of holders	% of issued capital
1 – 1,000	29,181	1.34
1,001 – 5,000	8,854	1.77
5,001 – 10,000	1,764	1.13
10,001 – 100,000	1,426	3.11
100,001 and over	329	92.65
Total	41,554	100.00

1,222 share/CDI holders held less than A$500 worth of shares/CDIs i.e. fewer than 103 shares/CDIs.

Stock exchange listings

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

Substantial shareholders

Details of the Company's substantial shareholders are set out in the Directors' report on page 89.

Total number of options over unissued shares

There were 30,104,381 options over unissued ordinary shares in the Company held by 831 option holders.

Restricted securities

There are no restricted securities in issue.

Buyback

There is no current on-market buyback of CDIs on the ASX. The Company has authority to purchase ordinary shares on the LSE.

Company Secretary

Jacqui Irvine

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Share registry

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Email

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Shareholders: info@computershare.co.je

Website

www.henderson.com/IR

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Summary of movements in AUM

£m	Opening AUM 1 Jan 2015	Net flows	Market/FX	Acquisitions and disposals[1]	Closing AUM 31 Dec 2015	Closing AUM net management fee bps[2] 31 Dec 2015
Retail						
UK OEICs/Unit Trusts/Other[3]	**20,615**	1,261	891	591	**23,358**	
SICAVs	**14,171**	4,328	829	–	**19,328**	
US Mutuals	**6,005**	2,291	351	–	**8,647**	
Investment Trusts	**5,216**	152	214	–	**5,582**	
Total Retail	**46,007**	8,032	2,285	591	**56,915**	73
Institutional						
UK OEICs/Unit Trusts	**9,093**	497	152	–	**9,742**	
SICAVs	**1,266**	276	23	–	**1,565**	
Australian MIS	**–**	(3)	38	1,464	**1,499**	
Offshore Absolute Return Funds	**2,513**	(129)	262	(249)	**2,397**	
Managed CDOs	**251**	(159)	10	–	**102**	
Segregated Mandates	**15,530**	396	783	2,944	**19,653**	
TH Real Estate (40% share)	**5,650**	154	(87)	(5,717)	**–**	
Private Equity Funds[5]	**823**	(545)	(220)	–	**58**	
Other[4]	**29**	23	2	–	**54**	
Total Institutional	**35,155**	510	963	(1,558)	**35,070**	26
Group total	**81,162**	8,542	3,248	(967)	**91,985**	55
Total asset class						
Equities[6]	**50,706**	6,672	3,369	144	**60,891**	67
Fixed Income[7]	**21,322**	1,434	(51)	4,136	**26,841**	28
Property[8]	**8,295**	975	148	(5,247)	**4,171**	n/a
Private Equity[5]	**839**	(539)	(218)	–	**82**	n/a
Total Group	**81,162**	8,542	3,248	(967)	**91,985**	55
Absolute Return analysis						
Retail	**3,395**	1,994	148	12	**5,549**	
Institutional	**3,222**	149	31	–	**3,402**	
Total Absolute Return	**6,617**	2,143	179	12	**8,951**	

Notes:

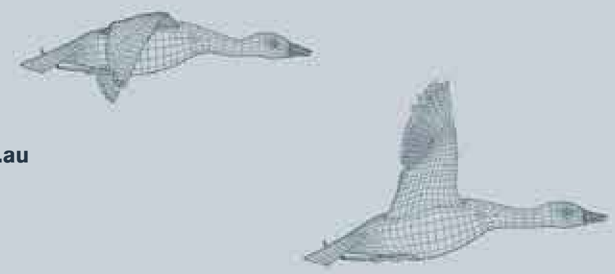
1. Acquisitions and disposals reflects the merger of the Old Mutual property fund into Henderson UK Property OEIC in January 2015, the net impact of the sale of the Group's 40% share of TH Real Estate completed on 1 June 2015; the transfer of Richard Pease's European Special Situations fund; the additional stake taken by the Group in 90 West Asset Management in May 2015; and the acquisition of Perennial Fixed Interest and Perennial Growth Management on 1 November 2015.
2. Closing management fee bps excludes joint venture and associates AUM.
3. Includes Australian Managed Investment Schemes (MIS), Singapore Mutuals and Retail Segregated Mandates.
4. Includes Singapore Mutuals and US Mutuals.
5. Private Equity funds' closing AUM is based on 30 September 2015 valuations.
6. Equities includes Multi-Asset and Commodities.
7. Fixed Income includes Cash.
8. Includes AUM of the Henderson UK Property OEIC which is sub-advised by TH Real Estate.
9. Certain items (including training and recruitment agency costs) were reclassified from employee compensation and benefits to other expenses in 2014. There was no impact on prior year profits. Prior year comparatives were restated.
10. 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.
11. Figures on these line items for the years ended 31 December 2015 and 2014 are audited; figures for the years ended 31 December 2013, 2012 and 2011 were audited and restated.
12. Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations.
13. Employee compensation and benefits from continuing operations divided by net fee income from continuing operations, calculated on an underlying profit basis.
14. Net margin calculated on underlying profit before tax from continuing operations divided by average assets under management.
15. Based on underlying profit after tax attributable to owners of the parent.
16. Asset-weighted performance of funds measured over one and three years to 31 December 2015. Performance for 2013 and 2014 includes Henderson UK Property OEIC – all prior periods include Property and Henderson UK Property OEIC performance.
17. FY13 performance data reflects a minor restatement, previously reported as 82%.

Five year financial summary (unaudited)

	FY15 £m	FY14 £m	FY13 (restated)[9] £m	FY12 (restated)[9] £m	FY11 (restated)[9] £m
Income					
Management fees (net of commissions)	**468.3**	403.5	331.9	301.9	309.8
Performance fees	**98.7**	82.8	94.5	30.4	63.4
Other income	**34.8**	32.5	34.9	39.2	48.3
Net fee income from continuing operations	**601.8**	518.8	461.3	371.5	421.5
(Loss)/Income from associates and joint ventures	**(0.2)**	5.1	1.8	–	(0.9)
Finance income	**17.3**	10.1	10.2	14.1	11.6
Net income from continuing operations	**618.9**	534.0	473.3	385.6	432.2
Expenses					
Fixed employee compensation and benefits[9]	**(99.9)**	(88.4)	(80.6)	(83.3)	(82.3)
Variable employee compensation and benefits	**(168.7)**	(143.6)	(128.8)	(70.6)	(96.5)
Employee compensation and benefits	**(268.6)**	(232.0)	(209.4)	(153.9)	(178.8)
Investment administration	**(31.6)**	(30.2)	(24.4)	(24.8)	(27.2)
Information technology	**(20.0)**	(17.1)	(17.1)	(14.4)	(13.5)
Office expenses	**(16.9)**	(15.0)	(13.7)	(13.3)	(13.3)
Depreciation	**(5.2)**	(4.7)	(3.2)	(2.8)	(2.9)
Other expenses[9]	**(44.5)**	(35.6)	(28.9)	(35.5)	(39.0)
Total operating expenses from continuing operations	**(386.8)**	(334.6)	(296.7)	(244.7)	(274.7)
Finance expenses	**(12.1)**	(11.6)	(11.1)	(14.3)	(17.2)
Total expenses from continuing operations	**(398.9)**	(346.2)	(307.8)	(259.0)	(291.9)
Underlying profit before tax from continuing operations[10, 11]	**220.0**	187.8	165.5	126.6	140.3
Underlying profit before tax from discontinued operation	**–**	7.6	24.6	26.4	19.7
Underlying profit before tax from total operations[10, 11]	**220.0**	195.4	190.1	153.0	160.0
Tax on underlying profit from continuing operations	**(22.9)**	(20.6)	(17.9)	(15.3)	(30.2)
Tax on underlying profit from discontinued operation	**–**	(1.3)	(2.9)	(4.2)	(3.4)
Total underlying profit after tax[10, 11]	**197.1**	173.5	169.3	133.5	126.4
Acquisition related items	**(59.6)**	(57.0)	(58.4)	(64.1)	(77.0)
Non-recurring items	**7.5**	145.0	(4.3)	13.8	(69.2)
Tax on acquisition related items	**12.7**	11.2	17.9	18.5	19.4
Tax on non-recurring items	**3.5**	(14.2)	0.6	4.7	16.2
Non-recurring tax credit	**–**	–	–	–	18.9
Total acquisition related and non-recurring items after tax	**(35.9)**	85.0	(44.2)	(27.1)	(91.7)
Total profit[11]	**161.2**	258.5	125.1	106.4	34.7
Attributable to:					
Equity owners of the parent	**161.2**	258.5	125.1	106.2	34.8
Non-controlling interests	**–**	–	–	0.2	(0.1)
Continuing KPIs					
Operating margin[12] (%)	**35.7**	35.5	35.7	34.1	34.8
Compensation ratio[9, 13] (%)	**44.6**	44.7	45.4	41.4	42.4
Average number of full-time employees	**955**	875	812	861	838
Assets under management (AUM) at year end (£bn)	**92.0**	81.2	63.7	53.9	52.7
Average AUM for the year for margin calculations on continuing basis (£bn)	**83.6**	69.9	59.0	53.4	56.2
Management fee margin (bps)	**56.0**	57.8	56.3	56.5	55.1
Total fee margin (bps)	**72.0**	74.3	78.2	69.6	75.0
Net margin[14] (bps)	**26.3**	26.9	28.1	23.7	25.0
Basic and diluted earnings per share (EPS)					
Weighted average number of ordinary shares for basic EPS (m)	**1,093.1**	1,085.2	1,058.8	1,034.0	954.1
Weighted average number of ordinary shares for diluted EPS (m)	**1,143.0**	1,139.8	1,137.0	1,082.0	1,012.7
Basic on total underlying profit[10, 15] (p)	**18.0**	16.0	16.0	12.9	13.3
Basic on continuing underlying profit[10, 15] (p)	**18.0**	15.4	13.9	10.8	11.6
Basic (p)	**14.7**	23.8	11.8	10.3	3.6
Diluted on total underlying profit[10, 15] (p)	**17.2**	15.2	14.9	12.3	12.5
Diluted on continuing underlying profit[10, 15] (p)	**17.2**	14.7	13.0	10.3	10.9
Diluted (p)	**14.1**	22.7	11.0	9.8	3.4
Dividend per share (p)	**10.30**	9.00	8.00	7.15	7.00
Investment performance[16]					
Funds at or exceeding benchmark over one year (%)	**78**	66	78	73	59
Funds at or exceeding benchmark over three years (%)[17]	**81**	83	81	69	66

For more information, please go to our website:
henderson.com/IR

For shareholder queries, please contact the Henderson Group Share Registry:



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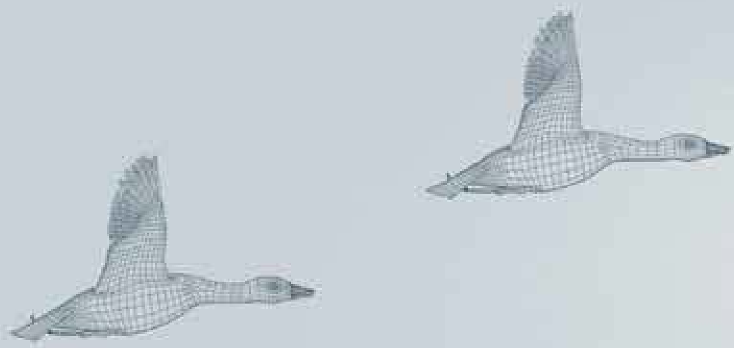

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