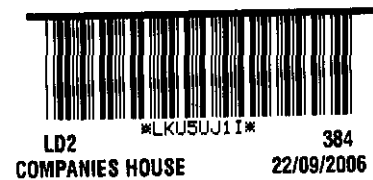


**HENDERSON FINANCES**  
(FORMERLY PEARL GROUP)

(Company Registration Number: 1974498)

**Report and Accounts**  
**31 December 2005**



**HENDERSON FINANCES  
(FORMERLY PEARL GROUP)**

**REPORT AND ACCOUNTS 2005**

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**HENDERSON FINANCES  
(FORMERLY PEARL GROUP)**

**COMPANY INFORMATION**

**Board of Directors**

R P Yates

N T Hiscock

**Company Secretary**

Henderson Secretarial Services Limited

**Registered Office**

4 Broadgate  
London  
EC2M 2DA

Company Registration No: 1974498

**Auditors**

Ernst & Young LLP

1 More Place  
London  
SE1 2AF

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## DIRECTORS' REPORT

The directors have pleasure in presenting the Annual Report and Accounts of Henderson Finances (formerly Pearl Group) for the year ended 31 December 2005.

### PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of the Company is that of an investment company. This will continue to be the principal activity for the foreseeable future.

### BUSINESS REVIEW

Full details of the results for the year are set out in the Company accounts and the related notes on pages 6 to 14.

On 9 December 2004, the Company and Henderson Group plc, the Company's ultimate parent undertaking, entered into an agreement (the "Sale Agreement") to sell the Life Services businesses ("Life Services") owned by Pearl Group Limited to Life Company Investor Group (the "Purchaser"). Following shareholder approval obtained at an Extraordinary General Meeting held on 21 February 2005, and regulatory approval by the Financial Services Authority, the completion date of the disposal was 13 April 2005 for a consideration of £1,102,022,131. Further details are provided in note 17 to the accounts.

On 24 March 2005, Pearl Group formerly registered as limited, was re-registered under the Companies Act 1985 as unlimited. On 14 April 2005 the company name was changed to Henderson Finances.

On 1 April 2005, it was agreed to reduce share capital by £692,690,264, and to reduce the capital reserve by £229,237,817. Further details are provided in note 15 and 16 to the accounts.

### DIVIDENDS

An interim dividend of £724,452,885 was paid to Henderson Group plc (2004: nil). The Directors do not recommend the payment of a final dividend (2004: nil).

### DIRECTORS AND THEIR INTERESTS

The Directors of the Company are set out on page 2, all of whom held office throughout the year except as follows:

Name of Director	Date of appointment	Date of resignation
R P Yates	7 April 2005	-
J S Moss	31 March 2004	13 April 2005
J S B Smith	14 September 2004	13 April 2005

The Directors' shareholdings in Henderson Group plc were:

	31 December 2005	1 January 2005 or appointment date if later
	No. of shares held	No. of shares held
R P Yates	1,579,039	600,692
N T Hiscock	156,135	70,954

### ELECTIVE RESOLUTIONS

The Company has passed elective resolutions under the Companies Act 1985 to dispense with the laying of accounts and reports before general meetings, to dispense with the holding of annual general meetings, and to dispense with the annual appointment of auditors.

By order of the Board of Directors



For and on behalf of  
Henderson Secretarial Services Limited, Secretary

31 August 2006

## **HENDERSON FINANCES (FORMERLY PEARL GROUP)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **HENDERSON FINANCES (FORMERLY PEARL GROUP)**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDERSON FINANCES**

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

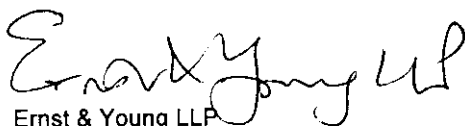
## **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **OPINION**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

8 September 2006

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Operating income		4	61,850
Income from shares in group undertakings		-	13
Administration expenses		(286)	-
		<hr/>	<hr/>
<b>Operating (loss) / profit</b>	2	(282)	61,863
Interest receivable and similar income	3	17,335	469
Interest payable and similar charges	4	(1,998)	(467)
Amounts written off investments in subsidiary undertakings	9	-	(162,414)
Loss on disposal of investment in subsidiaries	17	(2,340)	-
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before taxation</b>		12,715	(100,549)
Tax (charge)/credit on loss on ordinary activities	7	-	-
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities after taxation</b>		12,715	(100,549)
Dividends	8	(724,453)	-
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>	16	<u>(711,738)</u>	<u>(100,549)</u>

All activities relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2005

There are no recognised gains or losses for 2005 or 2004 other than those recognised above and therefore no Statement of Total Recognised Gains and Losses has been presented.

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

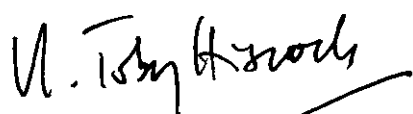
## BALANCE SHEET

31 December 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed assets:</b>			
Investments in subsidiary undertakings	9	2,191	1,228,191
Loan to parent company	10	377,569	-
		<u>379,760</u>	<u>1,228,191</u>
<b>Current assets:</b>			
Debtors	11	10,761	598
Investments	12	119	84
Cash at bank and in hand		3	34
		<u>10,883</u>	<u>716</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(19,595)</u>	<u>(146,417)</u>
<b>Net current liabilities</b>		<u>(8,712)</u>	<u>(145,701)</u>
<b>Total assets less current liabilities</b>		371,048	1,082,490
<b>Provisions for liabilities and charges</b>	14	(296)	-
		<u>370,752</u>	<u>1,082,490</u>
<b>Capital and reserves:</b>			
Called up share capital	15	173,173	865,863
Capital reserve	16	-	229,238
Profit and loss account	16	197,579	(12,611)
<b>Shareholders' funds attributable to equity interests</b>	16	<u>370,752</u>	<u>1,082,490</u>

The accompanying notes are an integral part of this balance sheet.

The accounts were approved by the Board of Directors and signed on its behalf by:



Director

31 August 2006



# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### a) *Basis of accounting*

The accounts have been prepared on the historical cost basis of accounting and in accordance with applicable UK accounting standards.

#### b) *Fixed asset investments*

Fixed asset investments consist of investments in subsidiary undertakings which are included at cost less any provision for impairment.

#### c) *Current asset investments*

Current asset investments consist of authorised collective investment schemes which are included at middle market value and short term deposits which are included at cost.

#### d) *Taxation*

Corporation tax payable is provided for on taxable profits at the current rate.

#### e) *Deferred taxation*

Deferred tax assets and liabilities are recognised in accordance with the provisions of FRS 19. Except as set out in FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

### 2. OPERATING LOSS

All auditors' remuneration has been met in full by a fellow subsidiary, Henderson Administration Limited, and is disclosed in that company's accounts.

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Loan to group undertaking	2,009	467
Loan to parent company	15,326	-
Other income	-	2
	<u>17,335</u>	<u>469</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Loan from group undertaking	<u>1,998</u>	<u>467</u>

### 5. EMPLOYEE INFORMATION

The Company has no employees. Employees' contracts of employment are with Henderson Administration Limited, a fellow subsidiary, and their remuneration is included in that company's accounts.

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## NOTES TO THE ACCOUNTS (continued)

### 6. DIRECTORS' REMUNERATION

Directors of the Company have contracts of employment with Henderson Administration Limited, a fellow subsidiary, and their emoluments are disclosed in that company's accounts.

The Directors of the Company are also Directors of other group companies. The Directors' remuneration was all paid by Henderson Administration Limited.

### 7. TAXATION

#### a) Analysis of charge for the year

	2005 £'000	2004 £'000
<b>Current tax:</b>		
UK corporation tax on profit / (loss) for the year	-	-
Total tax charge on profit / (loss) on ordinary activities	-	-

#### b) The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit / (loss) on ordinary activities before tax	12,715	(100,549)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	3,814	(30,165)
<b>Effects of:</b>		
Permanent timing differences	702	-
Non taxable unrealised investment losses	-	30,170
Non taxable income	-	(4)
Utilisation of losses	(4,516)	(1)
Current tax charge for the year	-	-

### 8. DIVIDENDS

	2005 £'000	2004 £'000
Interim dividend	724,453	-

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## NOTES TO THE ACCOUNTS (continued)

### 9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2005 £'000	2004 £'000
Shares in subsidiary undertakings	2,191	1,083,191
Loan to subsidiary undertaking	-	145,000
	<u>2,191</u>	<u>1,228,191</u>
<b>Cost:</b>		
At 1 January	2,032,464	1,803,226
Additions:		
- Investment in NPI Limited	-	168,000
- Investment in HHG Services Limited	-	9,591
- Investment in UKLS Financial Services Limited	-	3,000
- Investment in NPI Self Invested Personal Pensions Limited	-	75
- Investment in Premier Pensions Trustees Limited	-	715
- Investment in London Life Holdings Limited	-	109,703
- Investment in Pearl Assurance Group Holdings Limited	-	230,238
- Investment in Henderson Administration (Guernsey) Limited	5	-
<b>Disposals:</b>		
- Investment in NPI Limited	-	(168,000)
- Investment in HHG Services Limited	-	(9,591)
- Investment in UKLS Financial Services Limited	-	(3,000)
- Investment in NPI Self Invested Personal Pensions Limited	-	(75)
- Investment in Premier Pensions Trustees Limited	-	(715)
- Investment in London Life Holdings Limited	-	(109,703)
- Investment in Pearl ISA Limited	-	(1,000)
- Investment in Pearl Assurance Group Holdings Limited	(2,030,223)	-
- Investment in CSC Information Systems Limited	(50)	-
At 31 December	<u>2,196</u>	<u>2,032,464</u>
<b>Provision for impairment:</b>		
At 1 January	(949,273)	(848,705)
Charge during year:		
- Investment in Pearl Assurance Group Holdings Limited	-	(100,568)
- Investment in London Life Holdings Limited	-	(61,846)
- Investment in Henderson Administration (Guernsey) Limited	(5)	-
<b>Disposals:</b>		
- Investment in London Life Holdings Limited	-	61,846
- Investment in Pearl Assurance Group Holdings Limited	949,273	-
At 31 December	<u>(5)</u>	<u>(949,273)</u>
<b>Net book value:</b>		
At 1 January	<u>1,083,191</u>	<u>954,521</u>
At 31 December	<u>2,191</u>	<u>1,083,191</u>

On 11 February 2005, the Company purchased the entire share capital of Henderson Administration (Guernsey) Limited from Henderson Global Investors (International Holdings) BV for a consideration of £5,000. As Henderson Administration (Guernsey) Limited has a deficit of net assets as at 31 December 2005, the investment has been fully impaired.

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## NOTES TO THE ACCOUNTS (continued)

### 10. LOAN TO PARENT COMPANY

	2005 £'000	2004 £'000
Loan to Henderson Group plc	<u>377,569</u>	<u>-</u>

On 13 April 2005 the Company made a loan to Henderson Group plc to enable the parent company to make payments for return of cash to shareholders and reduction of its investor base. The loan carries interest at 3 month LIBOR plus 90 basis points. The loan is repayable on demand.

### 11. DEBTORS

	2005 £'000	2004 £'000
Amounts receivable from group undertakings	10,644	467
Corporation tax	116	116
Prepayments and accrued income	<u>1</u>	<u>15</u>
	<u>10,761</u>	<u>598</u>

### 12. INVESTMENTS

	Market value and cost 2005 £'000	2004 £'000
Units in OEICs	<u>119</u>	<u>84</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Amounts owed to group undertakings	19,595	1,417
Loan from parent company	<u>-</u>	<u>145,000</u>
	<u>19,595</u>	<u>146,417</u>

On 7 April 2005 an amendment was made to the loan agreement between Henderson Group plc (formerly HHG PLC) and the Company. The amendment was made to increase the interest rate to 4.8875% (being 6 month LIBOR) and to make the loan repayable on demand.

On 13 April 2005 a deed of assignment and satisfaction of loan arrangement was made whereby the Company agreed to assign the loan of £145,000,000 receivable from London Life Holdings Limited (see note 9) in satisfaction of the Company's obligation to repay £145,000,000 (together with accrued interest) to Henderson Group plc.

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## NOTES TO THE ACCOUNTS (continued)

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

The movement in provisions for liabilities and charges during the year is as follows:

	Restructure provision £'000	Total £'000
At 1 January 2005	-	-
Additions	296	296
At 31 December 2005	296	296

The restructure provision has been made for costs of restructuring management and staffing across the group. It is expected that the expenditure will be incurred in 2006.

### 15. SHARE CAPITAL

	2005 £'000	2004 £'000
<b>Authorised:</b>		
17,361,520,000 ordinary shares of 5p each	-	868,076
17,361,520,000 ordinary shares of 1p each	173,615	-
	2005 £'000	2004 £'000
<b>Allotted, called up and fully paid:</b>		
17,317,256,612 ordinary shares of 5p each	-	865,863
17,317,256,612 ordinary shares of 1p each	173,173	-

On 1 April 2005, a resolution was approved by the members of the Company to reduce the authorised share capital of the Company from 17,361,520,000 ordinary shares of 5p each to 17,361,520,000 ordinary shares of 1p each. At the same time it was resolved to reduce the paid-up share capital by cancelling 4pence on each of the 17,317,256,612 issued ordinary shares of 5p each to reduce the nominal amount of each ordinary share to 1p each. As a result of this the sum of £692,690,264 representing the amount of the cancelled paid-up share capital was designated as a distributable reserve and transferred to reserves in the profit and loss account.

### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	865,863	229,238	(12,611)	1,082,490
Reduction in share capital	(692,690)	-	692,690	-
Transfer of capital contribution	-	(229,238)	229,238	-
Loss for the financial year	-	-	(711,738)	(711,738)
At 31 December 2005	173,173	-	197,579	370,752

On 1 April 2005, a resolution was approved by the members of the Company to reduce the authorised share capital of the Company as detailed in note 15. As a result of this the sum of £692,690,264, representing the amount of the cancelled paid-up share capital, was designated as a distributable reserve and transferred to reserves in the profit and loss account. In addition the sum of £229,237,817 in the capital contribution account was designated as a distributable reserve and this sum was transferred to the profit and loss account.

# HENDERSON FINANCES (FORMERLY PEARL GROUP)

## NOTES TO THE ACCOUNTS (continued)

### 17. SUBSIDIARY UNDERTAKINGS

The subsidiaries of the Company are as follows:

	Principal activity	Country of incorporation	Holding
Henderson Unit Trusts Limited (formerly Pearl Unit Trusts Limited)	Unit trust management	UK	100%
Henderson Administration (Guernsey) Limited	Non-trading	UK	100%

On 9 December 2004, the Company and HHG PLC, the Company's ultimate parent undertaking, entered into an agreement (the "Sale Agreement") to sell the Life Services businesses ("Life Services") owned by Pearl Group to Life Company Investor Group (the "Purchaser"). Following shareholder approval obtained at an Extraordinary General Meeting held on 21 February 2005, and regulatory approval by the Financial Services Authority, the completion date of the disposal was 13 April 2005

As part of the sale of Life Services the Company transferred the ownership of CSC Information Systems Limited to Pearl Assurance Group Limited for nil consideration.

The loss on disposal of subsidiaries is calculated as follows:

	2005 £'000
<b>Life Services:</b>	
Sale Proceeds	1,070,259
Receivable	31,763
	<u>1,102,022</u>
Selling costs	(23,362)
Net proceeds	<u>1,078,660</u>
Net book value	<u>1,080,950</u>
<b>Loss on disposal of Life Services</b>	<u>(2,290)</u>
Loss on disposal of CSC Information Systems	<u>(50)</u>
	<u><u>(2,340)</u></u>

The consideration payable to the Company for the sale of Life Services was satisfied by cash payment on completion of £1,070,259,510. In addition, the Purchaser transferred to the Company at completion the benefit of a receivable of £31,762,621 representing the value of the stake in Banca Popolare Italiana ("BPI") and related entities held in Pearl's shareholder fund. The benefit of this receivable was assigned to the parent company on 13 April 2005, by way of a non-cash dividend and the sale proceeds were transferred to the parent company by way of a cash dividend of £692,690,264 and a loan of £377,569,246.

### 18. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures', relating to transactions between 90 per cent or more controlled subsidiaries, by not disclosing information on related party transactions with entities that are part of Henderson Group plc, or investees of the group qualifying as related parties.

# **HENDERSON FINANCES (FORMERLY PEARL GROUP)**

## **NOTES TO THE ACCOUNTS (continued)**

### **19. PARENT UNDERTAKING**

The Company's immediate and ultimate parent undertaking is Henderson Group plc. A copy of the group accounts can be obtained from its registered office at 4 Broadgate, London, EC2M 2DA.

### **20. CASH FLOW STATEMENT**

The Company has taken advantage of the exemption provided in FRS 1 (revised 1996) 'Cash Flow Statements' to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, by not preparing a cash flow statement. Details of the ultimate parent company are provided in note 19 to the accounts.

### **21. CONSOLIDATED ACCOUNTS**

The Company has taken advantage of the exemption provided in FRS 2 'Subsidiary undertakings' by not preparing consolidated accounts for its subsidiaries. A group consolidation is prepared by the ultimate parent undertaking. Details of the ultimate parent company are provided in note 19 to the accounts.

### **22. POST BALANCE SHEET EVENTS**

The Directors of the Company are due to propose a 2006 interim dividend of £197,500,000 payable to the Company's sole shareholder, Henderson Group plc, at the date of signing the Company's accounts.