

# HENDERSON FINANCES

## REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

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## HENDERSON FINANCES

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**HENDERSON FINANCES**

**COMPANY INFORMATION**

**DIRECTORS**

R P Yates  
N T Hiscock

**SECRETARY**

Henderson Secretarial Services Limited

**COMPANY NUMBER**

1974498

**REGISTERED OFFICE**

4 Broadgate  
London  
EC2M 2DA

**AUDITORS**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## HENDERSON FINANCES

### DIRECTORS' REPORT For the year ended 31 December 2006

The Directors present their report and the financial statements of Henderson Finances ('the Company') for the year ended 31 December 2006

#### PRINCIPAL ACTIVITIES

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

The Company's ultimate parent undertaking is Henderson Group plc ('the Group'). The review of the Company's activities and business operations is not performed at the individual entity level, but as part of the Group's operational review. Accordingly, the key financial and other performance indicators have been disclosed within the Full Annual Financial Report and Accounts of Henderson Group plc for the year ended 31 December 2006 which can be obtained from the Group's registered office as provided in note 19 to these financial statements.

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £21,492,000 (2005 - £12,715,000)

The Directors declared an interim dividend of £197,500,000 on 20 December 2006 (2005 £724,452,885). The Directors do not recommend the payment of a final dividend (2005 nil).

#### DIRECTORS

The Directors who served during the year were

R P Yates  
N T Hiscock

#### DIRECTORS' INDEMNITY

Henderson Group plc provides a deed of indemnity to Directors to the extent permitted by UK law whereby Henderson Group plc is able to indemnify a Director against any liability incurred in proceedings in which the Director is successful, and against the cost of successfully applying to the court to be excused for breach of duty where the Director acted honestly and reasonably.

#### PROVISION OF INFORMATION TO AUDITORS

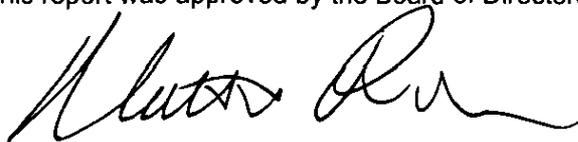
So far as each of the Directors is aware at the time the report is approved

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### AUDITORS

Following the passing of an elective resolution the Company has dispensed with the annual reappointment of the auditors, Ernst & Young LLP.

This report was approved by the Board of Directors on 11 October 2007 and signed on its behalf by



Henderson Secretarial Services Limited  
Secretary

## HENDERSON FINANCES

### STATEMENT OF DIRECTORS' RESPONSIBILITIES For the year ended 31 December 2006

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENDERSON FINANCES

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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

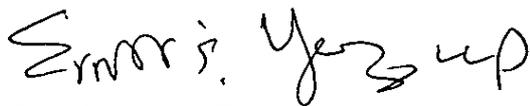
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered auditor  
London

21 October 2007

## HENDERSON FINANCES

### PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006

	Note	2006 £000	2005 £000
Administrative expenses		<u>(11,720)</u>	<u>(286)</u>
<b>OPERATING LOSS</b>	2	(11,720)	(286)
Dividends received from subsidiary undertaking		5,650	-
Loss on disposal of investments		-	(2,340)
Interest receivable	5	21,348	17,339
Interest payable	6	<u>-</u>	<u>(1,998)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		15,278	12,715
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	7	<u>6,214</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	14	<u>21,492</u>	<u>12,715</u>

All amounts relate to continuing operations

The notes on pages 7 to 13 form part of these financial statements

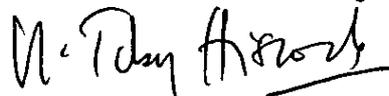
There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account. Accordingly a statement of total recognised gains and losses is not required.

## HENDERSON FINANCES

### BALANCE SHEET As at 31 December 2006

	Note	£000	2006 £000	2005 £000
<b>FIXED ASSETS</b>				
Fixed asset investments	8		2,191	2,191
<b>CURRENT ASSETS</b>				
Debtors	10	390,017		388,330
Current asset investments	9	461		-
Cash at bank		<u>368</u>		<u>122</u>
		390,846		388,452
<b>CREDITORS</b> amounts falling due within one year	11		<u>(198,293)</u>	<u>(19,595)</u>
<b>NET CURRENT ASSETS</b>			<u>192,553</u>	<u>368,857</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			194,744	371,048
<b>PROVISIONS FOR LIABILITIES</b>				
Other provisions	12		<u>-</u>	<u>(296)</u>
<b>NET ASSETS</b>			<u>194,744</u>	<u>370,752</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	13		173,173	173,173
Profit and loss account	14		<u>21,571</u>	<u>197,579</u>
<b>SHAREHOLDERS' FUNDS - All equity</b>	15		<u>197,744</u>	<u>370,752</u>

The financial statements were approved and authorised for issue by the Board of Directors on 11 October 2007 and were signed on its behalf by



N T Hiscock  
Director

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 1 ACCOUNTING POLICIES

##### 1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

##### 1.2 INTEREST RECEIVABLE

Interest receivable is accounted for on an accruals basis

##### 1.3 DIVIDEND INCOME

Dividends received from subsidiary undertakings are recognised when the Company's right to receive payment is established

##### 1.4 INVESTMENTS

The fixed and current asset investments consist of investments in subsidiary undertakings which are valued at cost less any provision for impairment

##### 1.5 TAXATION

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

##### 1.6 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 2 OPERATING LOSS

Auditors' remuneration in respect of the audit of the Company's financial statements was borne by a fellow subsidiary and was not recharged to the Company. Fees paid to the Company's auditors for services other than the statutory audit of the Company are disclosed on a consolidated basis in the Group's Full Annual Financial Report and Accounts.

Included within administrative expenses for the year ended 31 December 2006 is a warranty claim from Pearl Group of £11,700,000 agreed on 30 June 2006 under the terms of the Life Services business sale agreement completed in 2005. This amount was settled on 11 July 2006 in respect of all outstanding non-tax-based warranties and indemnities in relation to the sale of the Life Services business.

#### 3 STAFF COSTS

The Company has no employees. Employees' contracts of employment are with Henderson Administration Limited, and staff costs are disclosed in that company's financial statements. These costs will not be recharged to the Company.

#### 4 DIRECTORS REMUNERATION

Mr N T Hiscock and Mr R P Yates are also Directors of Henderson Group plc and particulars of their remuneration are set out in the Group's Full Annual Financial Report and Accounts. The Directors believe that it is not practicable to apportion their remuneration between their services as Directors of the Company and their services as Directors of other Group companies.

#### 5 INTEREST RECEIVABLE

	2006 £000	2005 £000
Interest receivable from Group undertakings	21,335	17,335
Other interest receivable	13	4
	<hr/>	<hr/>
	<b>21,348</b>	<b>17,339</b>

#### 6. INTEREST PAYABLE

	2006 £000	2005 £000
On loans from Group undertakings	-	1,998
	<hr/>	<hr/>

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 7 TAXATION

	2006 £000	2005 £000
<b>ANALYSIS OF TAX CHARGE FOR THE YEAR</b>		
UK corporation tax charge for the year	116	-
Recognition of prior year tax losses	(6,330)	-
	<u>(6,214)</u>	<u>-</u>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		

#### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	<u>15,278</u>	<u>12,715</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	4,583	3,814
<b>EFFECTS OF</b>		
Permanent timing differences	3,524	702
Dividend received	(1,695)	-
Interest	(1,217)	-
Utilisation of losses	(5,195)	(4,516)
Recognition of prior year tax losses	6,330	-
Adjustment to tax charge in respect of prior periods	(116)	-
	<u>6,214</u>	<u>-</u>
<b>CURRENT TAX CHARGE FOR THE YEAR (see note above)</b>		

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 8 FIXED ASSET INVESTMENTS

Shares in  
Group  
undertakings  
£000

##### COST/NET BOOK VALUE

At 1 January 2006 and 31 December 2006

2,191

#### 9 CURRENT ASSET INVESTMENTS

Shares in  
Group  
undertakings  
£000

##### COST

At 1 January 2006  
Additions

5  
461

At 31 December 2006

466

##### IMPAIRMENT

At 1 January 2006 and 31 December 2006

5

##### NET BOOK VALUE

At 31 December 2006

461

The current asset investment addition of £461,053 during the year relates to an investment in Astor UK Limited. Subsequently, this company was placed into liquidation. The impairment of £5,000 represents the full write-down of the Company's investment in Henderson Administration (Guernsey) Limited which was liquidated post the balance sheet date.

*The principal subsidiaries of the Company are*

Company name	Country	Percentage Shareholding	Description
Henderson Unit Trusts Limited	UK	100	Non trading
Astor UK	UK	100	In liquidation
Henderson Administration (Guernsey) Limited	UK	100	In liquidation

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 10. DEBTORS

	2006 £000	2005 £000
Amounts owed by Group undertakings	6,117	10,644
Loan to parent undertaking	377,569	377,569
Prepayments and accrued income	1	1
Tax recoverable	-	116
Deferred tax	6,330	-
	<u>390,017</u>	<u>388,330</u>

The loan is repayable on demand and carries interest at 3 month LIBOR plus 90 basis points

#### 11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £000	2005 £000
Amounts owed to Group undertakings	<u>198,293</u>	<u>19,595</u>

#### 12 PROVISIONS

		£000
At 1 January 2006		296
Amounts used		(6)
Amounts released		(290)
		<u>-</u>
At 31 December 2006		<u>-</u>

#### 13 SHARE CAPITAL

	2006 £000	2005 £000
<b>AUTHORISED</b>		
17,361,520,000 Ordinary shares of 1p each	<u>173,615</u>	<u>173,615</u>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
17,317,256,612 Ordinary shares of 1p each	<u>173,173</u>	<u>173,173</u>

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 14 RESERVES

	Profit and loss account £000
At 1 January 2006	197,579
Profit retained for the year	21,492
Dividends Equity capital	(197,500)
	21,571
At 31 December 2006	21,571

#### 15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Opening shareholders' funds	370,752	1,082,490
Profit for the year	21,492	12,715
Dividends (Note 16)	(197,500)	(724,453)
	194,744	370,752
Closing shareholders' funds	194,744	370,752

#### 16 DIVIDENDS

	2006 £000	2005 £000
Interim dividend for 2006	197,500	724,453

#### 17. RELATED PARTY TRANSACTIONS

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

#### 18 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in accordance with this year's presentation of the financial statements

#### 19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate and ultimate parent undertaking is Henderson Group plc. A copy of the Group's Full Annual Financial Report and Accounts for the year ended 31 December 2006 can be obtained from its registered office at 4 Broadgate, London, EC2M 2DA. Accordingly, in line with s228(1) of the Companies Act 1985, the Company is exempt from the requirement to prepare and deliver group financial statements

## HENDERSON FINANCES

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2006

#### 20. CASH FLOW STATEMENT

The Company has taken advantage of the exemption in FRS 1 '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

#### 21. POST BALANCE SHEET EVENTS

On 19 July 2007 the Finance Act 2007 was enacted through Parliament. This brought about a reduction in the corporate income tax rate from 30% to 28% as well as some changes to the current capital allowance legislation. These changes will take effect from 1 April 2008. The financial statements have not been adjusted to take account of the Finance Act 2007. If the legislation had been enacted at the balance sheet date, the deferred tax debtor at that date would have reduced by approximately £158,000.

The Board of Directors has not received, as at 11 October 2007, being the date the financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, which has not been reflected in the financial statements as presented.