

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2010



NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

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NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	A J Formica S J Garrood D J Jacob
COMPANY SECRETARY	Henderson Secretarial Services Limited
COMPANY NUMBER	2123213
REGISTERED OFFICE	201 Bishopsgate London EC2M 3AE
AUDITORS	Ernst & Young LLP 1 More London Place London SE1 2AF

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

DIRECTORS' REPORT for the year ended 31 December 2010

The Directors present their report and the financial statements of New Star Institutional Managers Holdings Limited ("the Company"), for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The Company is a holding company for certain Henderson Group companies which provide investment management and marketing services. 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 review of the Company's activities and business operations is not performed at the individual entity level, as the operational review is conducted at the ultimate parent level, Henderson Group plc and its subsidiaries ("the Group"). There is a proactive approach to risk management and a framework has been designed to manage the risks of its business and to ensure that the Boards of Directors at both Henderson Group plc and subsidiary levels have in place appropriate risk management practices. Accordingly, the key financial and other performance indicators together with the risk management objectives and policies have been disclosed within the Annual Report and Accounts of Henderson Group plc for the year ended 31 December 2010, which can be obtained from the registered office as provided in note 16 to these financial statements.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,231,000 (2009: £15,864,000).

The Directors did not declare an interim dividend in 2010 (2009: £4,000,000). The Directors do not recommend the payment of a final dividend (2009: £nil).

DIRECTORS

The Directors who served during the year were:

A J Formica
S J Garrod
D J Jacob
S J O'Brien (resigned 30 July 2010)

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 person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the auditor, each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

**DIRECTORS' REPORT
for the year ended 31 December 2010**

GOING CONCERN

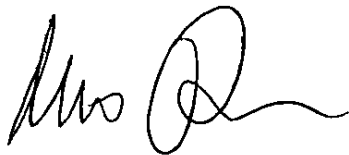
The Company's business activities, together with the factors likely to affect its future development, performance and position, financial risk management objectives and its exposure to cash flow risk are set out in the Business Review above

All indications are that the underlying subsidiary will be able to meet its obligations to the company. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AUDITORS

In accordance with section 487(2) of the Companies Act 2006, the auditors are deemed to be reappointed.

This report was approved by the Board of Directors on 25 March 2011 and signed on its behalf



Henderson Secretarial Services Limited
Secretary

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES for the year ended 31 December 2010

The Directors are responsible for preparing the Directors' 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

We have audited the financial statements of New Star Institutional Managers Holdings Limited for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the 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.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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.

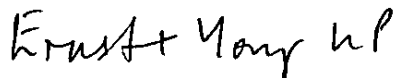
NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



R Engineer (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 25 March 2011

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2010**

	Note	2010 £000	2009 £000
Dividend received from subsidiary undertaking	1	-	4,000
Realised profit on disposal of investment in subsidiary		-	11,246
Interest receivable	5	<u>1,231</u>	<u>618</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,231	15,864
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,231</u>	<u>15,864</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss Account, accordingly a Statement of Total Recognised Gains and Losses is not required

The notes on pages 9 to 13 form part of these financial statements

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED
Registered number: 2123213

BALANCE SHEET
as at 31 December 2010

	Note	£000	2010 £000	2009 £000
FIXED ASSETS				
Fixed asset investments	7		13,843	13,843
CURRENT ASSETS				
Debtors	9	2,254		500
CREDITORS amounts falling due within one year	10	(746)		(223)
NET CURRENT ASSETS			1,508	277
TOTAL ASSETS LESS CURRENT LIABILITIES			15,351	14,120
CAPITAL AND RESERVES				
Called up share capital	11		50	50
Share premium account	12		110	110
Capital redemption reserve	12		10	10
Profit and loss account	12		15,181	13,950
SHAREHOLDER'S FUNDS	13		15,351	14,120

The notes on pages 9 to 13 form part of these financial statements

The financial statements were approved and authorised for issue by the Board on 25 March 2011 and were signed on its behalf by

S J Garrood

S J Garrood
Director

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

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 DIVIDEND INCOME

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

1.3 INVESTMENTS

Investments in subsidiaries are valued at cost less permanent diminution in value

1.4 TAXATION

Current tax is provided on the Company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted 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. Deferred tax assets and liabilities are not discounted

Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or a loss recognised directly in the statement of total recognised gains and losses in which case tax attributable to that gain or loss is also recognised directly in the statement of total recognised gains and losses

1.5 FOREIGN CURRENCIES

Foreign currency denominated monetary assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date. Foreign currency transactions during the year have been translated at the exchange rate ruling at the date of the transaction. All such exchange gains and losses are included in the Profit and Loss Account

1.6 INTEREST RECEIVABLE

Interest receivable is recognised on an accruals basis

2. OPERATING PROFIT

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 Annual Report and Accounts

3. STAFF COSTS

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

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**

4 DIRECTORS' REMUNERATION

The Directors of the Company were employed and remunerated as directors and executives of the Group in respect of their services to the Group as a whole. The Directors believe that it is not practicable to apportion part of their remuneration to their services as Directors of the Company.

Mr A J Formica and Ms S J Garrod are also directors of Henderson Group plc and particulars of their remuneration are set out in the Group's Annual report and Accounts as described in note 16.

5. INTEREST RECEIVABLE

	2010	2009
	£000	£000
Interest receivable from Group undertakings	1,231	618

6. TAXATION

	2010	2009
	£000	£000
UK corporation tax charge on profit for the year	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2010	2009
	£000	£000
Profit on ordinary activities before tax	1,231	15,864
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009: 28%)	345	4,442

EFFECTS OF:

Income not taxable for tax purposes	(345)	(4,442)
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CURRENT TAX CHARGE FOR THE YEAR

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NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £000
COST OR VALUATION	
At 1 January and 31 December	13,843

8. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Direct holdings			
New Star Institutional Managers Midco Ltd	England	100	Fund management
New Star Administration Services Ltd	England	100	Service company
WorldInvest Management Ltd	England	25	Fund management
Indirect			
New Star Institutional Managers Ltd	England	25	Fund management

The Company holds ordinary shares in these subsidiary undertakings. In addition, the Company holds 13,700,000 9% fixed cumulative redeemable preference shares ("the Preference Shares") in WorldInvest Management Ltd. In the opinion of the Directors, the aggregate value of the shares in subsidiaries is not less than the amount at which they are stated in the balance sheet. The Company is able to appoint a majority of Directors to the Board of WorldInvest Management Ltd whilst the Preference Shares are outstanding and therefore has control of the entity.

9. DEBTORS

	2010 £000	2009 £000
Amounts owed by Group undertaking	2,254	500

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000	2009 £000
Amounts owed to Group undertakings	746	223

11. SHARE CAPITAL

	2010 £000	2009 £000
AUTHORISED		
1,000,000 Ordinary shares of 10p each	100	100
ALLOTTED, CALLED UP AND FULLY PAID		
500,000 Ordinary shares of 10p each	50	50

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

12. RESERVES

	Share premium account £000	Other reserves £000	Profit and loss account £000
At 1 January 2010	110	10	13,950
Profit for the year	-	-	1,231
At 31 December 2010	<u>110</u>	<u>10</u>	<u>15,181</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2010 £000	2009 £000
Opening shareholder's funds	14,120	2,256
Profit for the year	1,231	15,864
Dividends (Note 14)	-	(4,000)
Closing shareholder's funds	<u>15,351</u>	<u>14,120</u>

14. DIVIDENDS

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders during the year	<u>-</u>	<u>4,000</u>

15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures", relating to transactions between 100% controlled subsidiaries, by not disclosing information on related party transactions with entities that are part of the Group, or investees of the Group qualifying as related parties

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is New Star Asset Management Holdings Limited and ultimate parent undertaking is Henderson Group plc. A copy of the Group's Annual Report and Accounts for the year ended 31 December 2010 can be obtained from its registered office at 47 Esplanade, St Helier, Jersey, JE1 0BD. Accordingly, in line with s400(1) of the Companies Act 2006, the Company is exempt from the requirement to prepare and deliver group financial statements

NEW STAR INSTITUTIONAL MANAGERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

17. CASH FLOW STATEMENT

The Company has taken advantage of the exemption in FRS 1 'Cash Flow Statements' from the requirement to prepare a cash flow statement, on the basis that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group, which prepares publicly available financial statements

18. POST BALANCE SHEET EVENTS

The Board of Directors have not received, as at 25 March 2011, being the date the financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, which have not been reflected in the financial statements as presented

The Directors have, however, given due regard to the following event which occurred after the balance sheet date. On 25 March 2011, the Company issued a Deed of Waiver ("the Deed") to WorldInvest Management Ltd, the issuer of the Preference Shares held by the Company. The deed waives the Company's right to receive a Preferential Dividend from and including 1 April 2011. This deed is conditional on certain events.

New Star Institutional Managers Holdings Limited

Income Statement at 31 December 2010 (Dr) / Cr

	2010 £000	2009 £000	Movement £000	
Realised profit on disposal	0	11,246	(11,246)	
Interest receivable	1,231	618	614	1
Income from shares in group undertakings	0	4,000	(4,000)	
Profit before taxation	1,231	15,864	(14,632)	
Taxation	0	0	0	
Profit after taxation	1,231	15,864	(14,632)	

1 Interest receivable represents interest on 9% cumulative preference shares in WorldInvest Management Limited
2009 interest receivable is lower as the shares were only issued in June 09

Information regarding NSIM deal

During 2009 the Company disposed of its investment in New Star Institutional Managers Limited (NSIM) in exchange for 25 B ordinary shares and £13.7m 9% redeemable cumulative preference shares in WorldInvest Management Ltd. The company recognised a profit on disposal of its investment in NSIM of £11,246,000.

New Star Institutional Managers Holdings Limited

Balance Sheet at 31 December 2010

Dr / (Cr)

	2010 £000	2009 £000	Movement £000	
FIXED ASSETS				
Investment in subsidiary	13,843	13,843	0	
	<u>13,843</u>	<u>13,843</u>	0	
DEBTORS	2,254	500	1,754	1
CREDITORS Amounts falling due within one yr	(746)	(223)	(523)	1
			0	
Net Current Assets	<u>1,508</u>	<u>277</u>	0	
NET ASSETS	<u>15,351</u>	<u>14,120</u>		
CAPITAL AND RESERVES				
Called up share capital	50	50	0	
Share Premium	110	110	0	
Capital redemption reserve	10	10	0	
Profit and loss account	15,181	13,950	1,231	2
Equity Shareholders' Funds	<u>15,351</u>	<u>14,120</u>		

Debtors & Creditors

- 1 Net movement in debtors and creditors relates to interest income from WorldInvest Management Ltd on 9% cumulative preference shares of £1 231m. This is offset by the transfer of £2 254m of cash through the Company. This resulted in a debtor with New Star Asset Management Holdings Limited, the parent, and a net intercompany creditor with WorldInvest Management Ltd of £0 523m (2009 debtor £0 5m). These balances will be settled once a dividend is paid from WorldInvest Management Ltd.

Profit and loss account

- 2 The increase in the profit and loss account relates to the profit for 2010.

Intercompany Movements

	Company	2009	Movement	2010	Movement Analysis
HOLD	New Star Asset Management Holdings Limited	0 00	2,254 000 00	2,254,000 00	Dividend passed up to HOLDINGS
HAL	Henderson Administration Limited	(65,422 50)	0 00	(65,422 50)	
SERVICES	New Star Administration Services Limited	(10,000 00)	0 00	(10,000 00)	Interest on Preference shares in Woman £1 231m offset against dividend from WOMAN £2 254m
WIM	New Star Institutional Midco Limited (FSA UK)	(148 000 00)	0 00	(148,000 00)	
WOMAN	WorldInvest Management Ltd	499,580 73	(1 022,507 53)	(522,926 80)	
Total		276 158 23	1,231 492 47	1 507,650 70	