

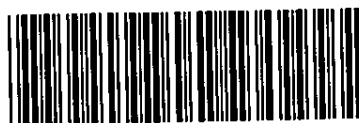
Registered number: 2607112

HENDERSON FUND MANAGEMENT PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

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HENDERSON FUND MANAGEMENT PLC

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HENDERSON FUND MANAGEMENT PLC

COMPANY INFORMATION

DIRECTORS

A J Boorman
J N B Darkins
A J Formica
S J Garrood
N T Hiscock
D J Jacob
R P Yates

SECRETARY

Henderson Secretarial Services Limited

COMPANY NUMBER

2607112

REGISTERED OFFICE

4 Broadgate
London
EC2M 2DA

AUDITORS

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

HENDERSON FUND MANAGEMENT PLC

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company, which is authorised and regulated by the Financial Services Authority, is the provision of investment management services, together with related accounting and treasury services of institutional funds, segregated accounts and international funds. This will continue to be the principal activity of the Company 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 done 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 21 to these financial statements.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £8,657,000 (2005 - £6,953,000)

The Directors declared an interim dividend of £10,500,000 on 27 April 2006 (2005 - £nil). The Directors do not recommend the payment of a final dividend (2005 - £nil).

DIRECTORS

The Directors who served during the year were

A J Boorman
M G Clare (resigned 10/11/2006)
J N B Darkins
A J Formica
S J Garrod
N T Hiscock
D J Jacob
R P Yates

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.

HENDERSON FUND MANAGEMENT PLC

DIRECTORS' REPORT For the year ended 31 December 2006

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

The auditors, Ernst & Young LLP, have expressed their willingness to continue in office and at a resolution will be proposed in the next Annual General Meeting where the report and financial statements are laid

This report was approved by the Board of Directors on 27 April 2007 and signed on its behalf



Henderson Secretarial Services Limited
Secretary

HENDERSON FUND MANAGEMENT PLC

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 FUND MANAGEMENT PLC

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 22. 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

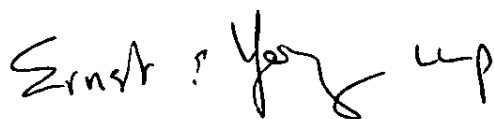
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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
30 April 2007

HENDERSON FUND MANAGEMENT PLC

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006

	Note	2006 £000	2005 £000
REVENUE	2	7,294	13,528
Operating expenses		<u>(1,075)</u>	<u>(2,533)</u>
OPERATING PROFIT		6,219	10,995
Dividends received from subsidiary undertakings		3,500	-
Interest receivable	6	<u>43</u>	<u>3</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,762	10,998
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(1,105)</u>	<u>(4,045)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>8,657</u>	<u>6,953</u>

All amounts relate to continuing operations

The notes on pages 8 to 15 form part of these financial statements

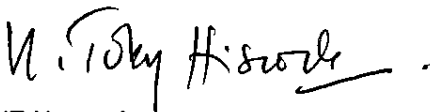
There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account, accordingly a statement of total recognised gains and losses is not required

HENDERSON FUND MANAGEMENT PLC

BALANCE SHEET As at 31 December 2006

	Note	£000	2006 £000	2005 £000
FIXED ASSETS				
Fixed asset investments	8		4,645	2,051
CURRENT ASSETS				
Debtors amounts falling due after more than one year	10	2,609		216
Debtors amounts falling due within one year	10	37,579		44,514
Cash at bank		<u>23</u>		<u>30</u>
		40,211		44,760
CREDITORS , amounts falling due within one year	11	<u>(10,863)</u>		<u>(10,975)</u>
NET CURRENT ASSETS			<u>29,348</u>	<u>33,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			33,993	35,836
PROVISIONS FOR LIABILITIES				
Provisions	13		<u>(3,400)</u>	<u>(3,400)</u>
NET ASSETS			<u>30,593</u>	<u>32,436</u>
CAPITAL AND RESERVES				
Called up share capital	14		25,000	25,000
Profit and loss account	15		<u>5,593</u>	<u>7,436</u>
SHAREHOLDERS' FUNDS - All equity	16		<u>30,593</u>	<u>32,436</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2007 and signed on its behalf by


NT Hiscock
 Director

HENDERSON FUND MANAGEMENT PLC

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 MANAGEMENT AND PERFORMANCE FEES

Management fees are accounted for on an accruals basis and the financial statements include estimates of fees receivable where the actual amounts have not been determined

Performance fees, which are based on the investment performance achieved for certain client portfolios, are recognised only when the amounts can be measured reliably

1.3 INVESTMENTS

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment
- (ii) **Fixed assets investments**
Investments held as fixed assets are shown at cost less provisions for impairment

1.4 INTEREST RECEIVABLE

Interest income is recognised on an accruals basis

1.5 TAXATION

Corporation tax payable is provided 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

1.7 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

HENDERSON FUND MANAGEMENT PLC

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

2. REVENUE

Revenue, which is stated net of value added tax, arises from the provision of investment management

	2006 £000	2005 £000
Management and performance fees	7,492	16,639
Commission receivable and other income	111	509
Less Commission and fees payable against income	(309)	(3,620)
	<u>7,294</u>	<u>13,528</u>

Analysis of revenue by geographical market

	2006 £000	2005 £000
Europe	3,083	10,344
Australasia	4,211	3,184
	<u>7,294</u>	<u>13,528</u>

3. OPERATING PROFIT

The operating profit is stated after charging

	2006 £000	2005 £000
Difference on foreign exchange	<u>2</u>	<u>3</u>

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.

4. 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.

HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

5. DIRECTORS' REMUNERATION

The Directors of the Company have contracts of employment with Henderson Administration Limited, a fellow subsidiary, and their emoluments are disclosed in that company's financial statements. The Directors of the Company are also Directors of other Group companies. The Directors believe that it is not practicable to apportion this amount between their services as Directors of the Company and their services as Directors of other Group companies.

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.

6. INTEREST RECEIVABLE

	2006 £000	2005 £000
Interest receivable	<u>43</u>	<u>3</u>

7. TAXATION

2006 £000	2005 £000
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ANALYSIS OF TAX CHARGE IN THE YEAR

CURRENT TAX (see note below)

UK corporation tax charge on profits for the year	<u>1,012</u>	<u>3,970</u>
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DEFERRED TAX

Origination and reversal of timing differences	65	(48)
Adjustments in respect of previous years	28	123

TOTAL DEFERRED TAX (see note 12)	<u>93</u>	<u>75</u>
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TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1,105</u>	<u>4,045</u>
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HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

7 TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower to 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>9,762</u>	<u>10,998</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	2,929	3,299
EFFECTS OF:		
Non taxable income	(1,066)	(21)
Capital allowances for year in excess of depreciation	(65)	-
Movement on deferred tax	-	48
Adjustments to tax charge in respect of prior periods	(1,104)	644
Other differences	318	-
	<u>1,012</u>	<u>3,970</u>
CURRENT TAX CHARGE FOR THE YEAR (see note above)	<u>1,012</u>	<u>3,970</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

8. FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings (Note 9) £000	Unlisted investments £000	Total £000
COST			
At 1 January 2006	2,001	50	2,051
Additions	-	2,595	2,595
Disposals	<u>(1)</u>	<u>-</u>	<u>(1)</u>
At 31 December 2006	<u>2,000</u>	<u>2,645</u>	<u>4,645</u>

Unlisted fixed assets investments relate to seed capital investment in Henderson European Retail Property Fund and to founder shares held in various Private Equity Funds

HENDERSON FUND MANAGEMENT PLC

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

9 PRINCIPAL SUBSIDIARIES

The Company holds ordinary shares in the following subsidiary undertakings

Company name	Country	Percentage Shareholding	Description
Henderson Equity Partners Limited	United Kingdom	100	Investment Management Shareholder in General Partner of a Limited Partnership
Henderson (Bull Ring) Limited	United Kingdom	100	General Partner of a Limited Partnership
Henderson (Buchanan Galleries) Limited	United Kingdom	100	General Partner of a Limited Partnership
Henderson BR Birmingham Limited	United Kingdom	100	General Partner of a Limited Partnership
Henderson (Potteries) Limited	United Kingdom	100	General Partner of a Limited Partnership
Henderson Fund Management Stakeholder GP Limited	United Kingdom	100	Dormant
HPC Nominees Limited	United Kingdom	100	Dormant
Henderson BRLP1 Limited	United Kingdom	100	Dormant
Henderson BRLP2 Limited	United Kingdom	100	Dormant
Henderson BRLP3 Limited	United Kingdom	100	Dormant

During the year, the Company disposed of its investment in Henderson (Covent Garden) Limited for £nil consideration

10. DEBTORS

	2006 £000	2005 £000
DUE AFTER MORE THAN ONE YEAR		
Other loans receivable	<u>2,609</u>	<u>216</u>
	2006 £000	2005 £000
DUE WITHIN ONE YEAR		
Trade debtors	-	652
Amounts owed by group undertakings	34,693	40,210
Other debtors	-	109
Prepayments and accrued income	2,121	2,685
Deferred tax asset (see note 12)	765	858
	<u>37,579</u>	<u>44,514</u>

HENDERSON FUND MANAGEMENT PLC

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

11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £000	2005 £000
Amounts owed to group undertakings	3,370	1,489
Corporation tax	6,874	5,863
Social security and other taxes	123	5
Other creditors	-	1,293
Accruals and deferred income	496	2,325
	<u>10,863</u>	<u>10,975</u>

12. DEFERRED TAX ASSET

	2006 £000	2005 £000
At 1 January 2006	858	933
Charged for the year	(93)	(75)
	<u>765</u>	<u>858</u>
At 31 December 2006		

The deferred tax asset is made up as follows

	2006 £000	2005 £000
Accelerated capital allowances	196	287
Other timing differences	569	571
	<u>765</u>	<u>858</u>

13 PROVISIONS

	Custody provision £000
At 1 January 2006 and 31 December 2006	<u>3,400</u>

CUSTODY PROVISION

The custody provision is management's best estimate of the discounted amount payable to the Group's custodian in the event that certain custody targets are not met. A further £4.6m is held within Henderson Global Investors (Holdings) Plc in respect of the same liability. Any liability will crystallise by 30 June 2008.

HENDERSON FUND MANAGEMENT PLC

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

14 SHARE CAPITAL

	2006 £000	2005 £000
AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID		
25,000,000 Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

15 RESERVES

	Profit and loss account £000
At 1 January 2006	7,436
Profit retained for the year	8,657
Dividends Equity capital	(10,500)
	<u>5,593</u>
At 31 December 2006	<u>5,593</u>

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Opening shareholders' funds	32,436	25,483
Profit for the year	8,657	6,953
Dividends (Note 17)	<u>(10,500)</u>	<u>-</u>
Closing shareholders' funds	<u>30,593</u>	<u>32,436</u>

17. DIVIDENDS

	2006 £000	2005 £000
Dividends paid on equity capital		
Interim dividend for 2006	<u>10,500</u>	<u>-</u>

18 FINANCIAL COMMITMENTS

The Company has jointly and severally guaranteed all obligations to its bankers by way of an intercompany composite guarantee with Henderson Global Investors (Holdings) Plc, as part of the Henderson banking arrangements

HENDERSON FUND MANAGEMENT PLC

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

19. 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 Henderson Group plc, or interests of the Group qualifying as related parties

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. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Henderson Global Investors (Holdings) Plc and ultimate parent undertaking is Henderson Group plc. A copy of the Groups' 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

22. POST BALANCE SHEET EVENTS

The Board of Directors have not received, as at 27 April 2007, 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