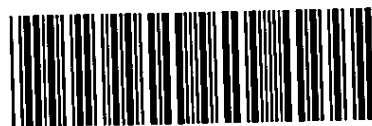


HENDERSON FUND MANAGEMENT PLC

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2007

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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 2007

The Directors present their report and the financial statements of Henderson Fund Management Plc ('the Company') for the year ended 31 December 2007

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 Annual Report and Accounts of Henderson Group plc for the year ended 31 December 2007 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 £12,774,000 (2006 £8,657,000).

The Directors declared an interim dividend of £14,000,000 on 20 December 2007 (2006 £10,500,000). The Directors do not recommend the payment of a final dividend (2006 £nil).

DIRECTORS

The Directors who served during the year were

A J Boorman
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 the 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 2007

PROVISION OF INFORMATION TO AUDITORS

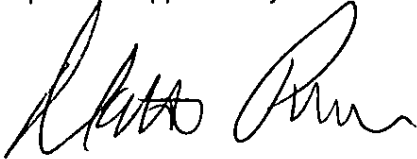
So far as each of the Directors is aware at the time this report is approved

- 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 a resolution for their reappointment will be proposed in the Annual General Meeting where the report and financial statements are laid

This report was approved by the Board of Directors on 19 March 2008 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'Rita P...'.

Henderson Secretarial Services Limited
Secretary

HENDERSON FUND MANAGEMENT PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES for the year ended 31 December 2007

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.

HENDERSON FUND MANAGEMENT PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HENDERSON FUND MANAGEMENT PLC

We have audited the Company's financial statements for the year ended 31 December 2007 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

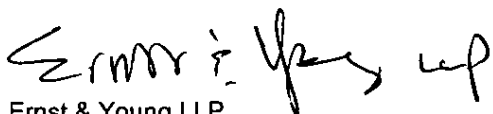
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

28 March 2008

HENDERSON FUND MANAGEMENT PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	Note	2007 £000	2006 £000
REVENUE	2	2,886	7,294
Administrative expenses		<u>(946)</u>	<u>(1,075)</u>
OPERATING PROFIT		1,940	6,219
Dividends received from subsidiary undertaking		8,000	3,500
Interest receivable	6	<u>132</u>	<u>43</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,072	9,762
Tax credit/(charge) on profit on ordinary activities	7	<u>2,702</u>	<u>(1,105)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>12,774</u>	<u>8,657</u>

All amounts relate to continuing operations

The notes on pages 8 to 14 form part of these financial statements

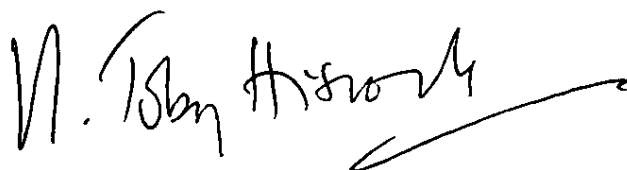
There were no recognised gains and losses for 2007 or 2006 other than those included in the Profit and Loss Account, accordingly a statement of total recognised gains and losses is not required

HENDERSON FUND MANAGEMENT PLC

BALANCE SHEET as at 31 December 2007

	Note	£000	2007 £000	£000	2006 £000
FIXED ASSETS					
Fixed asset investments	8		5,465		4,645
NON-CURRENT ASSETS					
Debtors amounts falling due after more than one year	10		2,279		2,609
CURRENT ASSETS					
Debtors amounts falling due within one year	10	2,268		37,579	
Cash at bank		<u>27,870</u>		<u>23</u>	
		30,138		37,602	
CREDITORS amounts falling due within one year	11	<u>(5,115)</u>		<u>(10,863)</u>	
NET CURRENT ASSETS			<u>25,023</u>		<u>26,739</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			32,767		33,993
PROVISIONS FOR LIABILITIES					
Provisions	13		<u>(3,400)</u>		<u>(3,400)</u>
NET ASSETS			<u>29,367</u>		<u>30,593</u>
CAPITAL AND RESERVES					
Called up share capital	14		25,000		25,000
Profit and loss account	15		<u>4,367</u>		<u>5,593</u>
SHAREHOLDERS' FUNDS	16		<u>29,367</u>		<u>30,593</u>

The financial statements were approved and authorised for issue by the Board Directors on 19 March 2008 and were signed on its behalf by



N T Hiscock
Director

HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

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) **Other investments**
Investments held as fixed asset investments are stated at cost less provisions for impairment

1.4 INTEREST RECEIVABLE

Interest receivable 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 2007

2 REVENUE

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

	2007 £000	2006 £000
Management and performance fees	3,118	7,492
Commission receivable and other income	5	111
Less Commission and fees payable against income	<u>(237)</u>	<u>(309)</u>
	<u>2,886</u>	<u>7,294</u>

Analysis of revenue by geographical market

	2007 £000	2006 £000
Europe	1,153	3,083
Australasia	<u>1,733</u>	<u>4,211</u>
	<u>2,886</u>	<u>7,294</u>

3 OPERATING PROFIT

The operating profit is stated after charging

	2007 £000	2006 £000
Difference on foreign exchange	<u>-</u>	<u>2</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 Annual Report and Accounts.

4 STAFF COSTS

The Company has no employees. Employee 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.

5. DIRECTORS' REMUNERATION

The Directors of the Company have contracts of employment with Henderson Administration Limited ('HAL') a fellow subsidiary. The emoluments of the Directors of the Company who are also Directors of HAL are disclosed in the financial statements of HAL since it is not possible to calculate accurately the amount attributable to the Company. None of the Directors received any emoluments in respect of their services as Directors of the Company in 2007 (2006: nil).

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 Annual Report and Accounts.

6 INTEREST RECEIVABLE

	2007 £000	2006 £000
Interest receivable	<u>132</u>	<u>43</u>

HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

7 TAXATION

	2007 £000	2006 £000
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profits for the year	479	2,116
Adjustments in respect of prior years	<u>(3,278)</u>	<u>(1,104)</u>
TOTAL CURRENT TAX (CREDIT)/CHARGE	<u>(2,799)</u>	<u>1,012</u>
DEFERRED TAX		
Current year	49	65
Adjustments in respect of prior years	-	28
Change in tax rate	<u>48</u>	<u>-</u>
TOTAL DEFERRED TAX (see note 12)	<u>97</u>	<u>93</u>
TAX (CREDIT)/CHARGE ON ORDINARY ACTIVITIES	<u>(2,702)</u>	<u>1,105</u>
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. The differences are explained below:		
	2007 £000	2006 £000
Profit on ordinary activities before tax	<u>10,072</u>	<u>9,762</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	3,022	2,929
EFFECTS OF:		
Non taxable income and disallowable expenses	(2,400)	(1,066)
Timing differences	(141)	(65)
Adjustments to tax charge in respect of prior years	(3,278)	(1,104)
Other differences	<u>(2)</u>	<u>318</u>
CURRENT TAX (CREDIT)/CHARGE FOR THE YEAR	<u>(2,799)</u>	<u>1,012</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

From 1 April 2008, the UK corporate tax rate will be reduced from 30 per cent to 28 per cent. Accordingly, the corporation tax charge/credit on the Company's profit/loss from 1 April 2008 will be provided at 28 per cent.

HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

8 FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings (note 9) £000	Unlisted investments £000	Total £000
COST			
At 1 January 2007	2,000	2,645	4,645
Additions	-	820	820
At 31 December 2007	<u>2,000</u>	<u>3,465</u>	<u>5,465</u>

Unlisted fixed asset investments relate to a seed capital investment in the Henderson European Retail Property Fund and to founder shares held in various Private Equity funds

The additions of £820,000 relate primarily to two further contributions made into the Henderson European Retail Property Fund during the year

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
Henderson (Bull Ring) Limited	United Kingdom	100	Shareholder in 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
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

On 29 October 2007, two fully owned subsidiaries, Henderson (Potteries) Limited and Henderson Fund Management Stakeholder GP Limited, were placed into members' voluntary liquidation and the Company's investment in these subsidiaries of £101 was realised in full. There was no gain or loss arising from the disposal.

HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

10 DEBTORS

	2007 £000	2006 £000
DUE AFTER MORE THAN ONE YEAR		
Other loans receivable	<u>2,279</u>	<u>2,609</u>
	2007 £000	2006 £000
DUE WITHIN ONE YEAR		
Trade debtors	15	-
Amounts owed by Group undertakings	14	34,693
Prepayments and accrued income	1,571	2,121
Deferred tax asset (see note 12)	668	765
	<u>2,268</u>	<u>37,579</u>

Other loans receivable refer to loans advanced to Group employees as part of their co-investment in the Private Equity PFI funds

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £000	2006 £000
Amounts owed to Group undertakings	142	3,370
Corporation tax	4,075	6,874
Social security and other taxes	62	123
Accruals and deferred income	836	496
	<u>5,115</u>	<u>10,863</u>

12 DEFERRED TAX ASSET

	2007 £000	2006 £000
At 1 January	765	858
Charge for the year	(97)	(93)
	<u>668</u>	<u>765</u>
At 31 December	<u>668</u>	<u>765</u>

The deferred tax asset is made up as follows

	2007 £000	2006 £000
Accelerated capital allowances	137	196
Other timing differences	531	569
	<u>668</u>	<u>765</u>

HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

13 PROVISIONS

Custody
provision
£000

At 1 January 2007 and 31 December 2007

3,400

CUSTODY PROVISION

The custody provision relates to obligations in respect of the disposal of Cogent Investment Operations Limited by the Group in 2002. These are expected to crystallise at the end of June 2008. A further £4.6m is held within Henderson Global Investors (Holdings) Plc in respect of the same liability.

14 SHARE CAPITAL

2007	2006
£000	£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 2007
Profit for the year
Dividends Equity capital (note 17)

5,593
12,774
<u>(14,000)</u>

At 31 December 2007

4,367

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

2007	2006
£000	£000

At 1 January
Profit for the year
Dividends (note 17)

30,593	32,436
12,774	8,657
<u>(14,000)</u>	<u>(10,500)</u>

At 31 December

<u>29,367</u>	<u>30,593</u>
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HENDERSON FUND MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

17 DIVIDENDS

	2007 £000	2006 £000
Dividends paid on equity capital		
Interim dividend of 56 pence per ordinary share (2006 42 pence per ordinary share)	<u>14,000</u>	<u>10,500</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 Henderson's group banking arrangements

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' 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

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' Annual Report and Accounts for the year ended 31 December 2007 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 has not received, as at 19 March 2008, 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