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**HENDERSON FUND MANAGEMENT LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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## **HENDERSON FUND MANAGEMENT LIMITED**

### **COMPANY INFORMATION**

<b>DIRECTORS</b>	A J Formica R M Thompson
<b>COMPANY SECRETARY</b>	Henderson Secretarial Services Limited
<b>REGISTERED NUMBER</b>	2607112
<b>REGISTERED OFFICE</b>	201 Bishopsgate London EC2M 3AE
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
<b>BANKERS</b>	Royal Bank of Scotland Plc 2 1/2 Devonshire Square London EC2M 4XJ

## **HENDERSON FUND MANAGEMENT LIMITED**

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## **HENDERSON FUND MANAGEMENT LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present the report and the audited financial statements of Henderson Fund Management Limited for the year ended 31 December 2015.

#### **PRINCIPAL ACTIVITIES AND FUTURE OUTLOOK**

The principal activity of the Company, which is authorised and regulated by the Financial Conduct Authority, is the provision of investment management services for 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 is a wholly-owned subsidiary of Henderson Group plc ("HG plc" or "the Group"). The Group is run on an integrated basis through business units, not by the legal construct of its subsidiaries. Therefore the Company's strategy and business model is governed by that of the Group which is set out in detail in the Annual Report and Accounts of the Group which can be obtained from its registered office as set out in note 20. The Group provides investment management services throughout Europe, the Americas and Asia. The Group manages a broad range of actively managed investment products for institutional and retail investors, across multiple asset classes, including equities, fixed income, property and private equity.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Henderson's risk management framework helps the Group meet its business objectives within acceptable risk parameters and it is reviewed regularly so that new and emerging risks are identified early on. The Group's culture embeds the management of risk at all levels within the organisation. The framework under which it operates also ensures that it meets its business objectives without exceeding its risk appetite and it is subject to continuous review to ensure it recognises both new and emerging risks in the business. Please refer to the Group Annual Report and Accounts for the major risks affecting the Group. The following risks relate specifically to the Company:

##### **Investment performance**

The risk that funds fail to achieve their performance hurdles or benchmarks, or performance is poor relative to that of peer funds, leading to client redemptions and reduction in Assets Under Management ("AUM") and revenues earned by the Group. Poor fund performance will also result in lower performance fees and reduced revenue. This is mitigated through: a robust investment process including detailed research; a clearly articulated investment philosophy including analysis of the Group's funds by comparing their performance against appropriate benchmarks; a broad range of asset classes and fund styles reducing the probability of all funds underperforming at the same time; and an independent Investment Risk function that ensures that the level of risk taken for each portfolio is consistent with client expectations.

##### **Market**

The risk that market conditions lead to a reduction in the value of clients' AUM and revenues earned by the Company. This is mitigated by: having a broad range of clients by distribution channel, product, asset class and region; and a significant amount of the Company's expense base being variable.

## **HENDERSON FUND MANAGEMENT LIMITED**

### **STRATEGIC REPORT (continued)**

#### **PRINCIPAL RISKS AND UNCERTAINTIES (Continued)**

##### **Fund flows**

The risk of net redemptions by clients resulting in a decline in AUM and revenues earned by the Company. This is mitigated by: diversity of sources of revenue by asset class, capability, fund style, strategy and geography; diversity of investor base between Retail and Institutional and by geography; and strong investment performance across product ranges.

##### **Key personnel**

The risk of losing either a member of the Group Executive Committee or one of the Group's key investment or distribution teams which will have a potential adverse effect on business growth and/or the retention of existing business. This is mitigated by: competitive remuneration structures designed to recognise and reward staff performance that is in line with the Group's principles; succession plans in place throughout the organisation to ensure that there is cover for key roles; regular staff surveys undertaken to identify any issues which could impact staff retention; comprehensive training offered to staff to improve skills and engagement; and a strategy of sustaining broad and diverse fund manager teams to avoid dependence on single managers or teams.

##### **Strategic**

The risk that Henderson's business strategy fails to deliver the required and expected outcomes for stakeholders and the risk that technological innovation and/or new market entrants within the asset management industry reduces profitability and requires a fundamental change to the Group's business model. This is mitigated by: a concentration on delivery of the Group's strategy through provision of first-class investment performance and service for our clients as efficiently as possible; the monitoring of emerging developments in the asset management industry, which might pose a threat to the Group's current business model; and maintaining a clear understanding of the Group's clients' needs through communication and interaction.

##### **Operational, IT and Legal**

The risk of losses through inadequate or failed internal processes, people or systems or through external events. This includes the risk of loss arising from failing to manage our key outsourced service providers properly, failing to manage financial crime risks, failing to manage operational aspects of the Group's global expansion, the risk arising from major disruption to the Group's business, including from cyber crime, the risk of losses from trade execution errors or breaches of investment mandates and the risk of losses from litigation. This is mitigated through: control systems that are designed to ensure operational and legal risks are mitigated to a level which is consistent with the Group's risk appetite, a globally embedded three lines of defence model which is key, outsourced service providers that are overseen by the relevant line function and the controls of key service providers are also reviewed by the Group's Assurance function; and the maintenance and test service and business continuity plans which are designed to ensure that, in the event of business disruption, the Group can maintain its operations without material damage to the business.

##### **Regulatory change**

The risk that a change in laws and regulations, however driven, will materially affect the Group's global business or markets in which it operates. This risk may affect the business either directly or indirectly by reducing investors' appetite for the Group's products, increasing capital requirements, restricting the Group's ability to sell certain products or pursue specific investment strategies, reducing the Group's profitability through fee restrictions, affecting the Group's ability to retain key personnel and/or increasing the cost and complexity of the Company's business. This is mitigated by: Continued active and constructive engagement with regulators through regular dialogue; regulatory developments being monitored by a dedicated team in Compliance, in liaison with external experts where required; formalised cross-business project groups implementing required changes to our business processes; and active involvement with and through relevant industry bodies.

## HENDERSON FUND MANAGEMENT LIMITED

### STRATEGIC REPORT (continued)

#### KEY PERFORMANCE MEASURES (KPIs)

The Board of HG plc, the Company's ultimate parent undertaking, monitors the performance of the Group against plan using a number of financial and non financial performance measures. The performance of the Company contributes to the Group's KPIs. Please refer to the Henderson Group plc Annual Report and Accounts for a review of the Group's KPIs.

#### Gross fee income

Gross fee income has decreased by £2.5m in the year. This is mainly driven by a reduced gross fee income following poor fund performance leading to a decrease in performance fees.

#### Operating expenses

Operating expenses decreased by £1.1m in the year due to a decrease in the Group operating expenses recharged from the Group's UK service company.

#### Financial position and performance

Total Shareholders' funds attributable to equity holders of the parent decreased by £7.2m to £9.2m as at 31 December 2015. This was due to a payment of dividend of £7.5m and de-recognition of £0.4m of revaluation reserves offset by profit of £0.7m made in the year.

This report was approved by the Board of Directors on 7 April 2016 and signed on its behalf by:



**Henderson Secretarial Services Limited**  
Secretary

## **HENDERSON FUND MANAGEMENT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £702,000 (2014: £816,000).

Dividends paid in the year amount to £7,500,000 (2014: £nil).

#### **DIRECTORS**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

A J Formica  
R M Thompson

#### **FUTURE DEVELOPMENTS**

The future outlook and the principal risks and uncertainties for the Company are set out in the Strategic Report.

#### **DIRECTORS' INDEMNITY**

Henderson Group plc provides a deed of indemnity to the Directors to the extent permitted by United Kingdom 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. The indemnity has been in force for the year to 31 December 2015 and up to the date of approval of the report and financial statements.

#### **GOING CONCERN**

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 for the preparation of the annual financial statements.

#### **DISCLOSURE 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 of which the Auditors are unaware. Each Director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

#### **EVENTS AFTER THE END OF THE REPORTING PERIOD**

There have been no significant events affecting the Company since the year end.

**HENDERSON FUND MANAGEMENT LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**INDEPENDENT AUDITOR**

It is the intention of the Directors to reappoint the Auditor under the deemed appointment rules of section 487 of the Companies Act 2006.

This report was approved by the Board of Directors on 7 April 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Soni', followed by a period.

**Henderson Secretarial Services Limited**  
Secretary



## **HENDERSON FUND MANAGEMENT LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ("UK GAAP")), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS101').

Under Company law the Directors must not approve the financial statements unless 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS101 used in the preparation of 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.



R.M. Thompson  
Director

7 April 2016

## **HENDERSON FUND MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDERSON FUND MANAGEMENT LIMITED**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Our opinion**

In our opinion, Henderson Fund Management Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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.

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

##### **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

###### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

## **HENDERSON FUND MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDERSON FUND MANAGEMENT LIMITED**

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Caroline May (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
**Chartered Accountants and Statutory Auditors**  
London

7 April 2016

# HENDERSON FUND MANAGEMENT LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Gross fee income	3	798	3,328
Operating expenses	4	(944)	(2,036)
<b>Operating (loss)/profit</b>		<b>(146)</b>	<b>1,292</b>
Finance income	8	915	486
Finance expense	9	(107)	(772)
<b>Profit before taxation</b>		<b>662</b>	<b>1,006</b>
Taxation	10	40	(190)
<b>Profit for the year</b>		<b>702</b>	<b>816</b>

The notes on pages 12 to 24 form part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £000	2014 £000
Profit for the year	702	816
<b>Other comprehensive (expense)/income:</b>		
<b>Items that may be reclassified to income statement:</b>		
<b>Available-for-sale financial assets:</b>		
Net gains on revaluation	229	454
Reclassification to the Income Statement on disposal	(608)	-
<b>Net (loss)/gain on available-for-sale financial assets</b>	<b>(379)</b>	<b>454</b>
<b>Total comprehensive income for the year</b>	<b>323</b>	<b>1,270</b>

The notes on pages 12 to 24 form part of these financial statements.

**HENDERSON FUND MANAGEMENT LIMITED**  
**REGISTERED NUMBER:2607112**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	2015 £000	2014 £000
<b>Non-current assets</b>			
Deferred tax assets	12	20	-
		<u>20</u>	<u>-</u>
<b>Current assets</b>			
Trade and other receivables	12	22,998	3,346
Available-for-sale financial assets		8	3,569
Cash and cash equivalents	13	10,007	10,016
		<u>33,033</u>	<u>16,931</u>
<b>Total assets</b>		<b>33,033</b>	<b>16,931</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		-	(20)
<b>Current liabilities</b>			
Trade and other payables	14	(23,800)	(501)
		<u>(23,800)</u>	<u>(521)</u>
<b>Total liabilities</b>		<b>(23,800)</b>	<b>(521)</b>
<b>Net assets</b>		<b>9,233</b>	<b>16,410</b>
<b>Capital and reserves</b>			
Share capital	17	900	900
Revaluation reserve	16	-	379
Profit and loss account	16	8,333	15,131
		<u>9,233</u>	<u>16,410</u>
<b>Total equity</b>		<b>9,233</b>	<b>16,410</b>

The financial statements were approved and authorised for issue by the Board of Directors on 7 April 2016 and were signed on its behalf by:



R M Thompson  
Director

The notes on pages 12 to 24 form part of these financial statements.

**HENDERSON FUND MANAGEMENT LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2015	900	379	15,131	16,410
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	702	702
Movement of available-for-sale financial assets	-	(379)	-	(379)
<b>Other comprehensive expense for the year</b>	-	(379)	-	(379)
<b>Total comprehensive (expense)/income for the year</b>	-	(379)	702	323
<b>Contributions by and distributions to owners</b>				
Dividends: Equity capital	-	-	(7,500)	(7,500)
<b>Total transactions with owners</b>	-	-	(7,500)	(7,500)
<b>At 31 December 2015</b>	<b>900</b>	<b>-</b>	<b>8,333</b>	<b>9,233</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2014	900	(75)	14,315	15,140
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	816	816
Revaluation of available-for-sale financial assets	-	454	-	454
<b>Other comprehensive income for the year</b>	-	454	-	454
<b>Total comprehensive income for the year</b>	-	454	816	1,270
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 December 2014</b>	<b>900</b>	<b>379</b>	<b>15,131</b>	<b>16,410</b>

The notes on pages 12 to 24 form part of these financial statements.

## **HENDERSON FUND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **1. ACCOUNTING POLICIES**

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

The financial statements have been prepared under the historical costs convention, except for certain financial instruments that have been measured at fair value, and in accordance with FRS101 and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in note 21.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The Company financial statements are presented in GBP and all values are rounded to the nearest thousand pounds, except when otherwise indicated. The Company is a private limited company incorporated and domiciled in the UK.

Accounting policies have been consistently applied to all years presented unless otherwise stated.

The Companies, Partnerships and Groups (accounts and reports) Regulations 2015 came into force on 6 April 2015 and in accordance with the Regulations the Directors decided that the Regulations would be early adopted and take effect in relation to the Financial Statements for the year ended 31 December 2015.

##### **First time application of FRS 101**

In the current year the Company has adopted FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of Financial Reporting Standard 100 Application of Financial Reporting Standards ('FRS 100') and FRS 101 for the first time is included in note 21.

## **HENDERSON FUND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

##### **1.3 GOING CONCERN**

The financial statements have been prepared on a going concern basis.

##### **1.4 GROSS FEE INCOME**

Gross fee income includes management fees and performance fees (including earned carried interest), net of rebates. Management fees are recognised in the accounting period in which the associated investment management service is provided. Performance fees are recognised when the prescribed performance hurdles are achieved and it is probable that a fee will crystallise as a result.

Recharges to other Group undertakings are based on the Group's transfer pricing policy, and are recognised in the accounting period in which the associated gross fee income is incurred.

##### **1.5 OPERATING EXPENSES**

Operating expenses are accrued and recognised as incurred.



## HENDERSON FUND MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### 1. ACCOUNTING POLICIES (continued)

##### 1.6 FINANCE INCOME AND EXPENSE

Finance income and finance expense is recognised as it accrues using the effective interest rate method.

Other net investment income is recognised on the date that the right to receive payment has been established.

##### 1.7 INCOME TAX

The Company provides for current tax expense according to the tax laws in each jurisdiction in which it operates, using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

##### 1.8 FINANCIAL ASSETS

###### **Available-for-sale financial assets**

For available-for-sale financial assets, gains and losses arising from changes in fair value which are not part of a designated hedge relationship are recognised in the Statement of Comprehensive Income. When an asset is disposed of, the cumulative changes in fair value, previously recognised in the Statement of Comprehensive Income, are taken to the Income Statement in the current accounting period.

Unrealised gains and losses on financial assets represent the difference between the fair value of financial assets at the reporting date and cost or, if these have been previously revalued, the fair value at the last reporting date. Realised gains and losses on financial assets are calculated as the difference between the net sale proceeds and cost or amortised cost.

Where a fall in the value of an investment is prolonged or significant, it is considered an indication of impairment. In such an event, the investment is written down to fair value and the amounts previously recognised in the Statement of Comprehensive Income in respect of cumulative changes in fair value are taken to the Income Statement as an impairment charge.

## **HENDERSON FUND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **1. ACCOUNTING POLICIES (continued)**

##### **FINANCIAL ASSETS (continued)**

###### **Trade and other receivables and cash and cash equivalents**

Trade and other receivables, which generally have 30 day payment terms, are initially recognised at fair value, normally equivalent to the invoice amount. When the time value of money is material, the fair value is discounted. Provision for specific doubtful debts is made when there is evidence that the Company may not be able to recover balances in full. Balances are written off when the receivable amount is deemed irrecoverable.

Cash amounts represent cash in hand and on-demand deposits. Cash equivalents are short-term highly liquid government securities or investments in money market instruments with a maturity date of three months or less.

##### **1.9 TRADE AND OTHER PAYABLES**

Trade and other payables are stated at amortised cost using the effective interest rate method.

##### **1.10 FOREIGN CURRENCY TRANSLATION**

The functional currency of the Company is GBP. Transactions in foreign currencies are recorded at the appropriate exchange rate prevailing at the date of the transaction. Foreign currency monetary balances at the reporting date are converted at the prevailing exchange rate. Foreign currency non-monetary balances carried at fair value or cost are translated at the rates prevailing at the date when the fair value or cost is determined. Gains and losses arising on retranslation are taken to the Income Statement, except for available-for-sale financial assets where the unhedged changes in fair value are recognised in the Statement of Comprehensive Income.

##### **1.11 DIVIDEND RECOGNITION**

Dividend distributions to the Company's shareholder are recognised in the accounting period in which the dividends are declared. Dividend distributions are recognised in equity.

## HENDERSON FUND MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### 2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, management has made significant judgements involving estimations and assumptions which are summarised below:

##### **Interests in other entities**

The Company has assessed whether the funds it manages are structured entities. The Company has considered the voting rights and other similar rights afforded to other parties in these funds including the rights to remove the Company as fund manager, liquidate the funds or redeem holdings in the funds and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

##### **Impairment of available-for-sale financial assets**

Available-for-sale financial assets are reviewed for impairment at each reporting date or more frequently if there are indicators that the carrying value is impaired. In specific cases, where a quoted market price or fair value is not available, significant judgement is exercised by management in determining the extent of impairment, taking into account other available market data. Management also exercises judgement in determining whether a decrease in the value of an asset meets the prolonged or significant tests.

##### **Deferred tax assets**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant judgement is required by management in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits and the likely timing of deduction of the relevant expenses.

##### **Performance fees**

When a performance fee crystallises towards the end of a financial year, estimates may be used to calculate the fee recognised until a final amount is established.

#### 3. ANALYSIS OF GROSS FEE INCOME

An analysis of gross fee income by class of business is as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Gross management fees	<b>805</b>	824
Performance fees	<b>(7)</b>	2,504
	<b>798</b>	<b>3,328</b>

All gross fee income arose within the United Kingdom

# HENDERSON FUND MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 4. OPERATING EXPENSES

The operating expenses comprise:

	2015 £000	2014 £000
Foreign exchange differences	(12)	-
Recharges from other Group undertakings	956	2,053
Professional and legal fees	-	(17)
	<u>944</u>	<u>2,036</u>

### 5. AUDITORS' REMUNERATION

Auditors' remuneration of £12,830 (2014: £9,780) and £5,150 (2014: £5,000) in respect of the audit of the Company's financial statements and audit related assurance services respectively is borne by a fellow Group undertaking.

### 6. EMPLOYEES

The Company did not have any employees during the current and prior year. The UK group employees' contracts of employment are with Henderson Administration Limited, a Group undertaking, and staff costs are disclosed in that company's financial statements.

### 7. DIRECTORS' REMUNERATION

The Directors of the Company were employed and remunerated as 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 the services as Directors of the Company.

Total emoluments for the Directors of the Company is presented as follows:

	2015 £000	2014 £000
<b>Emoluments</b>		
Total emoluments to company Directors	3,001	3,143
Emoluments paid to highest paid Director	2,005	2,100
Pension contributions made in respect of the highest paid director	37	18
Money Purchase Pension Scheme contributions	64	19
Defined Benefit Pension Scheme contributions	-	18
	<u></u>	<u></u>

Emoluments comprise salaries, bonuses and other employee benefits.

# HENDERSON FUND MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### DIRECTORS' REMUNERATION (continued)

The number of Directors accruing benefits under pension schemes during the year was:

	2015	2014
Money purchase pension scheme	2	2
Defined benefit pension scheme	-	1
	<u>2</u>	<u>1</u>

During the year two of the Directors of the Company exercised share options (2014: three). Two of the Directors of the Company received options under the Group's Long Term Incentive Plan ("LTIP") (2014: one).

The highest paid Director of the Company was awarded LTIP options and exercised options during 2015 and 2014.

### 8. FINANCE INCOME

	2015 £000	2014 £000
Interest receivable on balances due from Group undertakings	229	-
Investment income	43	434
Gain on sale of investments	608	-
Other interest receivable	35	52
	<u>915</u>	<u>486</u>

### 9. FINANCE EXPENSE

	2015 £000	2014 £000
Interest on loans from Group undertakings	103	-
Loss on investment	2	-
Investment impairment	2	772
	<u>107</u>	<u>772</u>

**HENDERSON FUND MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**10. TAXATION**

	<b>2015 £000</b>	<b>2014 £000</b>
<b>Current tax</b>		
Charge for the year	-	224
<b>Total current tax</b>	-	224
<b>Deferred tax</b>		
Credit for the year	(81)	(36)
Adjustments in respect of prior periods	38	-
Changes to tax rates	3	2
<b>Total deferred tax</b>	(40)	(34)
<b>Total tax (credited)/charged to income statement</b>	(40)	190

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

Following a reduction in the UK corporation tax rate from 21% to 20% with effect from 1 April 2015, the UK corporation tax rate applicable for the year is 20.25% (2014: 21.49%). The tax assessed to the company for the year is lower (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2015 £000</b>	<b>2014 £000</b>
Profit before tax	662	1,007
Tax charge at the UK corporation tax rate of 20.25% (2014: 21.49%)	134	216
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	132
Adjustments in respect of prior periods	38	-
Income not taxable for tax purposes	(9)	-
Net tax adjustment on sale of investments	(332)	-
Transfer in of capital gains from group companies	209	-
Changes in statutory tax rates	3	2
Group relief claimed for nil consideration and worldwide debt cap adjustments	(83)	(160)
<b>Total tax (credit)/charge for the year</b>	(40)	190

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The future reductions in the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted in 2015. In addition on 16 March 2016 the Government announced its intention to further reduce the corporation tax rate to 17% from 1 April 2020. These tax rate changes will affect the Company's current tax charge or credit in future years.

**HENDERSON FUND MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**11. DIVIDENDS**

	<b>2015 £000</b>	2014 £000
£0.17 per share paid on 27 November 2015	<b>7,500</b>	-
	<b>7,500</b>	-

**12. TRADE AND OTHER RECEIVABLES**

	<b>2015 £000</b>	2014 £000
<b>Due after more than one year</b>		
Deferred tax asset	<b>20</b>	-
	<b>2015 £000</b>	2014 £000
<b>Current</b>		
Trade receivables	<b>1,002</b>	500
Amounts owed by Group undertakings	<b>21,815</b>	1,624
Other receivables	-	320
Accrued income	<b>181</b>	902
	<b>22,998</b>	3,346

Amounts owed by Group undertakings accrue interest at the Bank of England base rate plus 1%.

**13. CASH AND CASH EQUIVALENTS**

	<b>2015 £000</b>	2014 £000
Cash at bank and in hand	<b>10,007</b>	10,016
	<b>10,007</b>	10,016

**14. TRADE AND OTHER PAYABLES**

	<b>2015 £000</b>	2014 £000
Amounts owed to Group undertakings	<b>23,800</b>	381
Accruals and deferred income	-	120
	<b>23,800</b>	501

Amounts owed to Group undertakings accrue interest at the Bank of England base rate plus 1%.

# HENDERSON FUND MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 15. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2015	(20)
Credited to the income statement	40
<b>At 31 December 2015</b>	<b>20</b>

The deferred tax asset/ liability is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	20	27
Partnership interests	-	(47)
	<b>20</b>	<b>(20)</b>

### 16. RESERVES

#### Revaluation reserve

The revaluation reserve comprises the amount of any unrealised gain or loss recognised in the Statement of Comprehensive Income in relation to available-for-sale financial assets which are not part of a designated hedge relationship. Upon disposal or impairment of these assets, amounts previously recognised in the revaluation reserve are recycled out and the cumulative amount of the gain or loss is recognised in the Income Statement. Tax relating to items recognised through the revaluation reserve is also recognised within this reserve.

#### Profit and loss account

The profit and loss reserve comprises:

- results recognised through the Income Statement; and
- dividends paid to equity shareholders.

### 17. SHARE CAPITAL

	2015 £000	2014 £000
<b>AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID</b>		
45,000,000 (2014: 45,000,000) Ordinary shares of £0.02 each	<b>900</b>	<b>900</b>



## **HENDERSON FUND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **18. CAPITAL REQUIREMENTS DIRECTIVE**

Under Pillar 3 of the Capital Requirements Directive prescribed in the United Kingdom by the Financial Conduct Authority, the Company is required to disclose information relating to its risks and its capital and risk management objectives and policies. The Group's Pillar 3 disclosures are given on the Henderson website, the address of which is set out in note 20.

#### **19. EVENTS AFTER THE END OF THE REPORTING PERIOD**

The Board of Directors has not received as at 7 April 2016, being the date the financial statements were approved, any information concerning significant conditions in existence at the reporting date, which have not been reflected in the financial statements as presented, other than the item detailed below.

#### **20. CONTROLLING PARTY**

The Company's immediate parent undertaking is Henderson Global Investors (Holdings) Limited, a company incorporated in the United Kingdom and the ultimate parent undertaking and controlling party is Henderson Group plc, a company incorporated in Jersey which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of the Group's Annual Report and Accounts for the year ended 31 December 2015 can be obtained from its registered office at 47 Esplanade, St Helier, Jersey, JE1 0BD or its website, [www.henderson.com](http://www.henderson.com).

HENDERSON FUND MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

21. FIRST TIME ADOPTION OF FRS 101

The following table sets out all adjustments made for the adoption of FRS101. The majority of these are presentational, and are re-classifications of line items. The significant changes are in relation to available-for-sale financial assets which were previously recorded investments and recognised as cost. The movement in fair value of these investments has been recorded in the revaluation reserve (£0.1m)

	Note	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 101 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
<b>Current assets</b>							
Trade and other receivables (Debtors)		7,214	-	7,214	3,346	-	3,346
Available-for-sale financial assets (Investments)	2	3,206	503	3,709	2,611	958	3,569
Cash and cash equivalents (Cash at bank and in hand)		5,001	-	5,001	10,016	-	10,016
<b>Current liabilities</b>							
Trade and other payables (Creditors: amounts falling due within one year)		(731)	-	(731)	(501)	-	(501)
<b>Non-current liabilities</b>							
Deferred tax liabilities (Deferred tax)		(54)	-	(54)	(20)	-	(20)
<b>Net assets</b>		14,636	503	15,139	15,452	958	16,410
<b>Capital and reserves</b>							
Share capital (Called up share capital)		900	-	900	900	-	900
Revaluation reserve	2	-	(76)	(76)	-	379	379
Profit and loss account	2	13,736	579	14,315	14,552	579	15,131
<b>Total equity</b>		14,636	503	15,139	15,452	958	16,410

**HENDERSON FUND MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**21. FIRST TIME ADOPTION OF FRS 101 (continued)**

		As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	<b>FRS 101 (as restated) 31 December 2014 £000</b>
Gross fee income (Turnover)		3,328	-	<b>3,328</b>
		<hr/>	<hr/>	<hr/>
		3,328	-	<b>3,328</b>
Operating expense (Administrative expenses)		(2,036)	-	<b>(2,036)</b>
		<hr/>	<hr/>	<hr/>
<b>Operating profit</b>		1,292	-	<b>1,292</b>
Finance income (Income from other investments)	1	434	(434)	-
Finance income (Interest receivable and similar income)	1	52	434	<b>486</b>
Finance expense (Interest payable and similar charges)		(772)	-	<b>(772)</b>
Taxation		(190)	-	<b>(190)</b>
		<hr/>	<hr/>	<hr/>
<b>Profit on ordinary activities after taxation and for the financial year</b>		816	-	<b>816</b>
		<hr/>	<hr/>	<hr/>

\* Description in brackets was the terminology used for the Statement of Financial Position and Income Statement in the year 2014.

Explanation of changes to previously reported income/expense and asset/liability:

- 1 The effect of transition on these balances have been caused by reclassification of certain income and expense categories on the face of the Income Statement.
- 2 The fair value adjustment of the available-for-sale financial assets as per IAS 39, which under the accounting policy applied in the prior year, were classed as Investments within non-current assets recognised at cost.