Henderson
GROUP PLC

FULL YEAR RESULTS 2015

11 February 2016

Henderson Group plc (Henderson or the Group) published its Full Year Results for the year ended 31 December 2015 on 11 February 2016. The comments below refer to the period from 1 January 2015 to 31 December 2015 (the period) unless otherwise stated.

Financial highlights

- Assets under management (AUM) at 31 December 2015 up 13% to £92.0bn (31 December 2014: £81.2bn)
- Record net inflows for the year of £8.5bn (2014: £7.1bn)
- Underlying profit before tax from continuing operations of £220.0m, up 17% (2014: £187.8m)
- Diluted continuing underlying EPS of 17.2p, up 17% (2014: 14.7p)
- Capital above regulatory requirement of around £100m[1] without recourse to the waiver from consolidated supervision
- Board recommends a final dividend of 7.20 pence per share to take the total dividend for the year to 10.30 pence per share.

Business update

- Strong investment performance: with 81% of funds outperforming relevant metrics over three years[2] as at 31 December 2015
- Net new money growth from continuing operations of 11%[3], driven by Retail flows well ahead of industry peers
- Global expansion: acquisitions of Perennial Fixed Interest and Perennial Growth Management in Australia closed on 1 November 2015.

Andrew Formica, Chief Executive of Henderson, said:

"2015 was another strong year for Henderson. Our active investment management capabilities delivered excellent returns for our clients in difficult market conditions, and we achieved record net inflows and underlying profits. Our organic growth initiatives are making good progress, with encouraging performance from new investment teams and AUM growth in all regions, notably the US, Continental Europe and Latin America. We accelerated our growth plans in Australia with three acquisitions in the course of the year.

"The first few weeks of 2016 have been challenging for investors and our clients, with a wide range of economic and geo-political risks weighing on markets. We will review our short term plans if difficult market conditions persist, but remain focused on our long term goals to grow and globalise our business."

1. Calculated based on the Group's estimated pillar 2 capital requirement.
2. Percentage of funds, on an asset-weighted basis, that are outperforming relative to benchmark, percentile ranking or absolute where appropriate and includes Henderson UK Property OEIC.
3. Excludes TH Real Estate AUM and net flows.

Henderson Group plc
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Registered in Jersey
Company No. 101484
ABN 67 133 992 766

Results for announcement to the market

For the year ended 31 December 2015.

These results for announcement to the market include the information required as part of the Preliminary Final Report to be provided to the ASX under Listing Rule 4.3A and Appendix 4E.

The results for Henderson Group plc for announcement to the market are as follows:

Amounts in £m unless otherwise stated	Year ended 31 December 2015 (audited)	Year ended 31 December 2014 (audited)	Change %
Management fees (net of commissions)	**468.3**	403.5	+16
Performance fees	**98.7**	82.8	+19
Other income	**34.8**	32.5	+7
Net fee income from continuing operations	**601.8**	518.8	+16
(Loss)/income from associates and joint ventures	**(0.2)**	5.1	(104)
Finance income	**17.3**	10.1	+71
Net income from continuing operations	**618.9**	534.0	+16
Employee compensation and benefits	**(268.6)**	(232.0)	+16
Non-staff operating expenses	**(118.2)**	(102.6)	+15
Total operating expenses from continuing operations	**(386.8)**	(334.6)	+16
Finance expenses	**(12.1)**	(11.6)	+4
Total expenses from continuing operations	**(398.9)**	(346.2)	+15
Underlying profit before tax from continuing operations[1]	**220.0**	187.8	+17
Underlying profit before tax from discontinued operation	**–**	7.6	(100)
Underlying profit before tax from total operations[1]	**220.0**	195.4	+13
Acquisition related and non-recurring items from total operations before tax	**(52.1)**	88.0	(159)
Profit before tax from total operations	**167.9**	283.4	(41)
Tax charge on underlying profit from continuing operations	**(22.9)**	(20.6)	+11
Tax charge on underlying profit from discontinued operation	**–**	(1.3)	(100)
Tax credit/(charge) on acquisition related and non-recurring items	**16.2**	(3.0)	(640)
Total tax charge	**(6.7)**	(24.9)	(73)
Total profit after tax	**161.2**	258.5	(38)
Operating margin[2] (%)	**35.7**	35.5	+0.6
Compensation ratio[3] (%)	**44.6**	44.7	(0.2)
Earnings per share (non-GAAP)[1, 4]			
Basic[5]	**18.0**	15.4	+17
Diluted[6]	**17.2**	14.7	+17

Assets under management (AUM)

£m	1Q15 - 3Q15					4Q15			
	Opening AUM 1 Jan 2015	Net flows	Market/ FX	Acqs & displs[7]	Closing AUM 30 Sep 2015	Net flows	Market/ FX	Acqs & displs[8]	Closing AUM 31 Dec 2015
Retail	46,007	6,200	(249)	(571)	51,387	1,832	2,534	1,162	**56,915**
Institutional	35,155	699	(85)	(5,626)	30,143	(189)	1,048	4,068	**35,070**
Total	**81,162**	**6,899**	**(334)**	**(6,197)**	**81,530**	**1,643**	**3,582**	**5,230**	**91,985**

1. Underlying profit, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.
2. Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations.
3. Employee compensation and benefits from continuing operations divided by net fee income from continuing operations, calculated on an underlying profit basis.
4. Based on continuing underlying profit after tax attributable to owners of the parent.
5. Based on weighted average number of shares in issue less weighted average number of own shares held during the period.
6. Based on weighted average number of shares in issue less weighted average number of own shares held during the period adjusted for the dilutive potential of share awards and share options.
7. Acquisitions and disposals reflects the merger of the Old Mutual property fund into Henderson UK Property OEIC in January 2015, the net impact of the sale of the Group's 40% share of TH Real Estate completed on 1 June 2015; the transfer of Richard Pease's European Special Situations fund and the additional stake taken by the Group in 90 West Asset Management on 29 May 2015.
8. Acquisitions and disposals reflects the acquisition of Perennial Fixed Interest and Perennial Growth Management on 1 November 2015.

Dividends

On 10 February 2016, the Board of Directors of Henderson Group plc (the Board) recommended a final dividend in respect of the year ended 31 December 2015 of 7.20 pence per share (2014: 6.40 pence per share). Henderson Group plc does not offer a dividend reinvestment plan.

	Amount per security pence	Franked amount per security pence
2015 interim dividend (paid on 18 September 2015)	3.10	–
Recommended 2015 final dividend	7.20	–
Record date	6 May 2016	
Payment date	27 May 2016	

Henderson operates a progressive dividend policy, and expects to grow ordinary dividends broadly in line with underlying earnings over the medium term.

Net tangible assets per ordinary share

	31 December 2015 pence	31 December 2014 pence
Net tangible assets per ordinary share	**32**	30

Net tangible assets are defined by the ASX as being total assets less intangible assets less total liabilities ranking ahead of, or equally with, claims of ordinary shares.

Audit

This Appendix 4E has not been audited but is based upon financial statements which have been audited.

The financial statements, together with the audit report, which is unqualified, will be made available with the Henderson Group plc 2015 Annual Report, which will be published on 3 March 2016.

Market briefing

Management will present these results on 11 February 2016 at 7.15pm (Sydney time) / 8.15am (London time).

Webcast details

You can log on to a webcast of the results briefing which will start at 7.15pm (Sydney time) / 8.15am (London time). Go to www.henderson.com/IR and click on the relevant link on the homepage. An archive of the webcast will be available shortly after the event.

Teleconference details

We recommend participants start dialling in 5-10 minutes prior to the start of the presentation.
To telephone link-up to the briefing, dial one of the following numbers from 7.00pm (Sydney time) / 8.00am (London time):

From:	
United Kingdom	0800 694 0257 (free call)
Australia	1800 020 199 (free call)
All other countries	+44 (0) 1452 555 566 (this is not a free call number)
Conference title	Henderson Group, 2015 Full Year Results Briefing
Conference ID	28835041
Chairperson	Andrew Formica
Replay number from:	
United Kingdom	0800 953 1533 Access code: 28835041
All other countries	+44 (0) 1452 550 000 Access code: 28835041 (available from 12 February to 26 February 2016)

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About Henderson

Henderson is an independent global asset manager, specialising in active investment. Named after its first client and founded in 1934, Henderson is a client-focused global business with over 1,000 employees worldwide and assets under management of £92.0bn (31 December 2015). Its core areas of investment expertise are European equities, global equities, global fixed income, multi-asset and alternatives.

Henderson is dual-listed on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE) and has a market capitalisation of approximately £2.7billion (February 2016).

Further information can be found at www.henderson.com/IR.

Forward looking statements

This announcement contains forward-looking statements with respect to the financial condition, results and business of Henderson Group plc. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Henderson's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement. Nothing in this announcement should be construed as, or is intended to be, a solicitation for or an offer to provide investment advisory services.

Contents

Chief Executive's review

In my review last year, I said 2015 would be all about delivery of Henderson's strategy. A year on, how have we done?

2015 has been another strong year for Henderson. We have executed well on our strategy to grow and globalise our business.

Consistently strong investment returns are at the heart of what every asset manager aspires to deliver to their clients. We continued to perform well across our five core capabilities, helping our clients capture benefits during strong markets and mitigate their losses when market conditions became more challenging.

We saw strong investment performance in areas of significant client demand – European assets, as client funds continued to flow into Europe; income-focused strategies, as interest rates remained chronically low; and also alternatives, where our low volatility absolute return strategies appealed to clients looking for returns coupled with reliable downside protection.

The investments we made to broaden the range of investment styles we offer our clients are starting to bear fruit, with many of our new investment teams starting to develop impressive track records.

In high yield credit, the US team has top-quartile performance over one year as it approaches its three year track record in April 2016. We recruited an Emerging Markets Equity team in January 2015 to complement the Emerging Markets Debt team who started in 2014. We have been introducing their ideas and investment process to clients this year, to position them for a return in demand when these styles come back into favour.

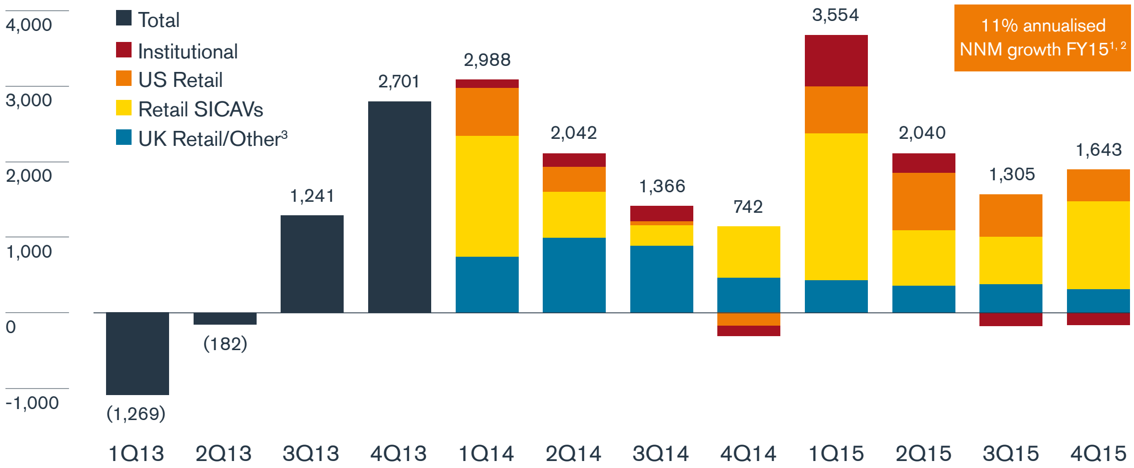
During 2015, we have been delighted to see a strong recovery in performance at Henderson Geneva Capital Management, the US small- and mid-cap growth equity manager we acquired in October 2014. The mid-cap fund ended 2015 5.2% ahead of benchmarks since the acquisition, and the small-cap fund was 8.4% ahead. Did we change Geneva's investment process? Absolutely not. One of Henderson's strengths is that we give experienced managers freedom to manage money according to tried and tested investment styles, and support them with a risk management framework that adds value for managers and clients alike. This is an approach which enables us to recruit and retain talented managers.

Investment performance by core capability

	1 year	3 years
European Equities	80%	92%
Global Equities	77%	81%
Global Fixed Income	63%	77%
Multi-Asset	83%	98%
Alternatives	98%	66%
Total	**78%**	**81%**

Note:
Percentage of funds, asset-weighted, that are outperforming based on the relevant metric: peer percentile ranking for Retail, positive for Absolute Return, positive versus benchmark for Institutional.

Net client flows (£m)



Notes:

1. Net new money (NNM) growth represents annualised net flows as a percentage of the opening AUM for the relevant period.
2. Excludes AUM subject to Property transactions with TIAA-CREF and resultant TH Real Estate joint venture AUM but includes Henderson UK Property OEIC.
3. Includes flows from UK OEICs, Unit Trusts, Investment Trusts, Australian Managed Investment Schemes and Singapore Mutuals.

Strong investment performance led to another year of record-breaking inflows of client money, totalling £8.5bn. This represents net new money growth of 11%[1,2], well ahead of the industry growth rate of 2%.

In our Retail business, we gained share in our major markets and saw flows of £8.0bn. In our SICAVs range – which is sold not only in Continental Europe but also in Latin America and Asia – the diversity of our product range led to inflows of £4.3bn, with the top-selling funds being Henderson Gartmore Continental European and Henderson Gartmore UK Absolute Return.

In our UK ranges, industry flows were strongest into passive managers rather than the active sectors where Henderson participates but despite this, we saw continuing demand for Henderson UK Property and Henderson UK Absolute Return.

In the US, demand persisted for European, international and global equities, but there were also promising new developments to broaden our US business, including our first engagement to sub-advise a closed-end fund, which raised US$315m at launch.

Our Institutional business continues to mature, with many of the new global investment strategies we have under development expected to appeal to Institutional clients. The year saw good wins with fixed income clients, which were counter-balanced by our planned exit from the Private Equity business. We continue to be optimistic about our medium-term growth prospects in the Institutional channel.

2015 has seen steady expansion of our distribution reach and deepening of our client relationships, in particular with our largest global customers. In our relationships with our clients, we have focused on the content and timeliness of the materials we provide, to bring alive our core brand proposition – *Knowledge. Shared.*

A key focus of the investment in our business over the last few years has been to build a scalable operating platform to enable us to improve our profitability as we grow. This year saw us generate record underlying profits before tax from continuing operations of £220.0m, at a slightly improved operating margin of 35.7%. For the second consecutive year since we launched our growth and globalisation strategy in 2014, our underlying pre-tax profit from continuing operations has outgrown our revenues.

As we moved forward with our strategic plan, I reviewed our management structure to make sure that it was keeping pace with the changes in our business. In December 2015, after significant progress with the build out of our investment management teams, I took the decision after consultation with the Board that the role of Chief Investment Officer was redundant, which meant that Rob Gambi left the business as part of a broader streamlining of the Executive Committee (ExCo). I would like to thank Rob for his contribution to Henderson and wish him well for the future.

This year has also seen a significant improvement in our capital position. As at 31 December 2015, capital above our regulatory requirement was around £100m without recourse to our investment firm waiver from consolidated supervision, which expires in April 2016. We sold our 40% interest in TH Real Estate in June 2015 but retained exposure to the property market though our very successful Henderson UK Property fund, which is sub-advised by TH Real Estate. Part of the proceeds of this sale was recycled into a series of acquisitions in Australia – Perennial Fixed Interest, Perennial Growth Management and global natural resources equity manager, 90 West. Our Australian heritage and shareholder base give our fledgling business there disproportionate levels of brand recognition. These three acquisitions – with the investment management expertise and distribution reach they bring – are designed to build on the strong base we have established in Australia and accelerate the growth of our Australian business.

In priority order, our preferences for deploying capital are to: invest organically in the growth of our business; invest inorganically to accelerate growth where appropriate; and return surplus capital to shareholders. In 2015, we signalled our intention to distribute surplus capital with a £25m buyback in the second half of the year, in addition to increasing our ordinary dividend.

To my mind, our strategy has five key deliverables:

- Strong investment performance
- Above-industry growth in net new client money
- Carefully targeted investment in investment management, client relationships and our global operating platform
- Improved operating leverage
- Disciplined use of capital.

Supporting all of these is a sixth, less tangible, but overarching objective: delivering what we promise to our clients. This year, as a firm, we have worked hard to deliver to our clients, and have achieved excellent results. Having achieved net new money growth of 11% per annum since we launched our growth and globalisation strategy in 2014, we are on track to achieve our goal of doubling AUM by 2018.

Case study: Henderson in America

The progress we have made in the US in 2015 is a good example of growth and globalisation in action.

Henderson launched its US distribution network in 2001 and has steadily grown its US Retail business. Our experienced US distribution team has utilised a consultative approach to share Henderson's global investing expertise and perspectives with clients.

Henderson's differentiated product line-up and actively managed style has resonated well with investors across the continent, resulting in record inflows for 2015 of US$3.5bn, 38% growth in net new money. The Henderson Global Funds family is now one of the top 10 fastest-growing mutual fund families of its size in the US and over half the eligible fund range is rated 4 or 5 stars by Morningstar.

In the last three years, we have taken significant steps to accelerate growth and diversify our investment management capabilities to US clients. These actions started to deliver in 2015. Henderson Geneva Capital Management, which was acquired in 2014, performed exceptionally well in 2015 and the US Credit team has a top-quartile ranking in the High Yield Opportunities Fund since inception in April 2013.

A steady pipeline of product development since 2010 has yielded new funds such as Dividend & Income Builder, a 5-star rated core equity-income fund, and five more funds that are reaching their three year track records in 2016 and 2017. In addition, we continue to build strong Institutional relationships and nurture our intermediary network, where we were pleased to sub-advise the First Trust Dynamic Europe Equity Fund, opening a new channel for us in closed-end funds.

The US business has become a significant contributor to Henderson's global success as it continues to grow, strengthen and diversify its investment capabilities, product offerings, distribution channels, and mix of AUM.

What's next?

To deliver our strategy to grow and globalise our business, we will continue to focus on four key priorities:

- Deliver first-class investment performance and service to our clients
- Expand our global investment offering to meet the current and future needs of our clients
- Diversify our business through product and geographic expansion
- Operate efficiently.

These priorities encourage us not only to execute well, but to be agile enough to respond to changes in market conditions, whether they present opportunities or threats.

In the course of 2015, we were careful to divide our time between achieving short-term milestones and considering how the future looks for our clients and our industry.

Trends preoccupying our clients include the shift of the retirement burden from the state and corporates to the individual, driven by structural pension reforms and the demographics of an ageing population. This is a trend we see developing at varying speeds across many of the jurisdictions in which we operate – from Australia to the US. Linked to this is the shift in investment demand from traditional products into passive, multi-asset and outcome-oriented products and mandates. A key strategic decision for Henderson is where we can add value in this changing environment – and where we cannot. Our focus remains on our core capabilities in active investment management, but with increasing focus on outcome-oriented strategies linked to income generation, absolute return and preservation of capital.

We have also taken time this year to consider mega-trends affecting our industry – everything from disruptive innovation and cyber security to climate change. We are far from pretending to have a neat set of answers for these powerful forces, but we are alert to the threats – as well as the opportunities – they present, and are looking in particular for opportunities to harness changes in technology in performance management, risk management and client engagement.

On paper, the strategies of many asset managers look similar. In practice, what differentiates us is the calibre of the people we have charged with executing these strategies. I would like to take this opportunity to pay tribute to my colleagues at Henderson who have worked hard this year to deliver on behalf of our clients. To the investment managers, long established and new who have delivered excellent investment performance. To the client-focused teams who never let us forget who we serve. To the infrastructure teams who have collaborated across the globe to deliver complex projects like the integration of our Australian acquisitions. To the assurance teams who ensure that we remain compliant, and keep abreast of the ever more complex demands of our regulators. To the 174 people who have been with Henderson for more than 10 years, and the Investment 2020 trainees who bring diversity and fresh ideas. Henderson prospers thanks to a dedicated workforce, whose work ethic is summed up in our chosen guiding principles of collaboration, conviction and responsibility.

We enter 2016 with continued strong momentum, knowing that we grew at a higher rate than our peer group in 2015. This positions us well for what could prove to be challenging conditions ahead – in terms of global markets, regulatory scrutiny and changing client needs. We are far from complacent, and are resolved to continue to deliver strongly in 2016, for the benefit of our clients and shareholders.

Andrew Formica

Chief Executive

Financial review

Last year, we said we delivered performance for clients and invested for future growth. What further progress have we made in 2015?

2015 has been a productive year for Henderson. Our recent organic investments and acquisitions are performing well. Overall, 2015 was a year of delivery.

Financial performance

We delivered strong investment performance for our clients, record net fund inflows of £8.5bn, a 17% increase in underlying profit before tax[1] from continuing operations and an increase in continuing underlying diluted EPS of 17%. Our total dividend rose broadly in line with earnings to 10.3 pence per share, and we completed a share buyback programme to the value of £25m in the second half, which reflected our strong business performance and improving capital position.

Financial KPIs (on continuing underlying operations)	2015
3 year investment performance	**81%**
Net fund flows	**£8.5bn**
Management fee margin	**56.0bps**
Compensation ratio	**44.6%**
Operating margin	**35.7%**
Profit before tax	**£220.0m**
Diluted EPS	**17.2p**

In light of our strong investment performance and flows, the Group achieved underlying profit before tax from continuing operations of £220.0m. Management fees – our principal revenue stream – increased by 16% to £468.3m, while management fee margins held up reasonably well at 56.0bps despite a change in business mix and acquisition of the Perennial businesses at a lower margin. Our investment performance for clients led to exceptional performance fees of £98.7m which continue to be an important contributor to our revenue, ensuring that we remain aligned with the interests of our clients.

Total operating expenses from continuing operations increased by 16% to £386.8m.

Employee compensation and benefits increased by 16% driven by wage inflation, the full year effect of 2014 initiatives and the acquisition of Henderson Geneva Capital Management, as well as increased variable compensation following a period of strong flows and business performance, including additional costs driven by the rising share price.

Non-staff expenses rose by 15% as we invested in our global infrastructure and we also saw cost inflation associated with risk and compliance, in response to new regulation.

The 17% increase in underlying profit from continuing operations in 2015 was driven by strong fund flows and excellent investment performance, particularly in absolute return products, which in turn led to increases in variable compensation. As our business diversifies and we reach scale in our capabilities, we expect to be able to deliver an improvement in our operating margin and a reduction in our compensation ratio. These two key ratios saw a slight improvement, with operating margin at 35.7% (2014: 35.5%) and compensation ratio at 44.6% (2014: 44.7%).

Underlying profit after tax from continuing operations increased by 18% to £197.1m, reflecting a tax charge for the period of £22.9m and effective tax rate of 10.4%. Ignoring the effect of one-off items, our normalised tax rate was 15.2%. With increasing profits arising from acquisitions in higher tax jurisdictions and forthcoming changes in the global tax environment, the effective tax rate going forward will be much closer to the current UK tax rate of 20%.

Diluted continuing underlying EPS increased by 17% to 17.2 pence, primarily driven by an increase in profit.

Strategically, we made good progress towards our growth and globalisation goals and we enter 2016 with strong momentum.

AUM and flows

AUM by channel (£m)

	Opening AUM 1 Jan 15	Net flows	Market/ FX	Acquisitions/ disposals	Closing AUM 31 Dec 15
Retail	46,007	8,032	2,285	591	56,915
Institutional	35,155	510	963	(1,558)	35,070
Total	**81,162**	**8,542**	**3,248**	**(967)**	**91,985**

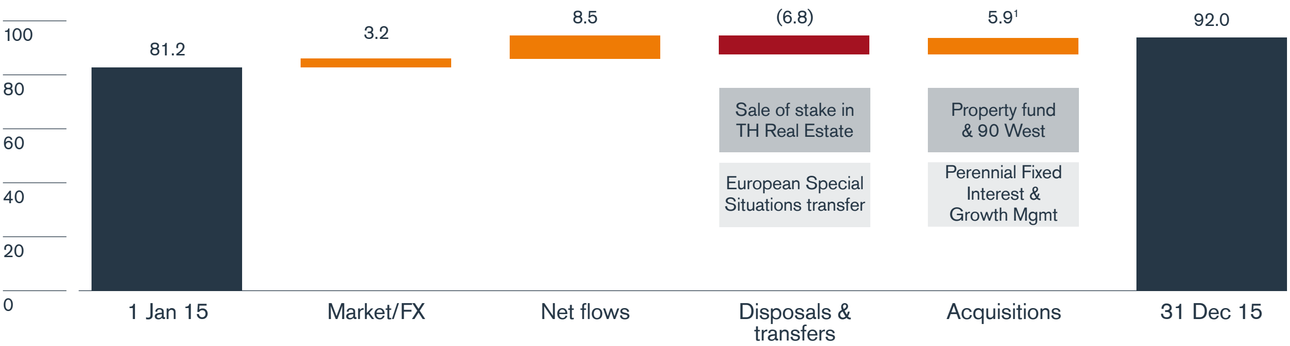
The Group's total AUM as at 31 December 2015 was £92.0bn, reflecting net inflows of £8.5bn, market and FX movements of £3.2bn and a net £0.9bn reduction from acquisitions and disposals.

Record net inflows in 2015 represented overall net new money growth of 11% (excluding Property related AUM with the exception of Henderson UK Property OEIC (HUKPOEIC)), which was well ahead of the 6-8% target set out in our growth and globalisation plan. Flows have been driven by our Retail business this year but we are pleased with the progress we are making in the Institutional segment and remain optimistic about the pipeline of global institutional-grade strategies.

Note:

1. Net margin, compensation ratio, operating margin and diluted earnings per share are all based upon continuing underlying profit which, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.

2015 movements in AUM (£bn)



Note:
1. Adjusted for rounding.

Net flows by product	£m
Retail	**8,032**
UK OEIC/Unit Trust/Other	1,261
SICAVs	4,328
US Mutuals	2,291
Investment Trusts	152
Institutional	**510**
Total	**8,542**

The year started exceptionally strongly, with increased client demand for European assets. Flows were supported by the announcement of further Quantitative Easing (QE) in Europe and we were well placed to benefit with excellent investment performance from our core European products. As the year progressed, market conditions became more challenging and investors sought downside protection from products offering income and risk-adjusted returns.

UK Retail flows remained consistent across the year, although at a lower level than that for 2014 – a trend observed across active managers in the industry. Top-selling UK Retail funds included HUKPOEIC, Henderson UK Absolute Return and Henderson Strategic Bond, as client demand for alternative sources of income and absolute return products increased.

SICAVs were our top-performing range within our Retail business with record net inflows of £4.3bn. European QE was a driver of inflows at the start of the year but, as market volatility increased in the second half, we were pleased that the diversified nature of our product range and increasingly global client base helped to sustain momentum.

Our US business had a very successful year. Unlike the trend observed in 2014 where demand for European, global and international equities waned in the second half, mutual fund flows in 2015 were strong throughout the year as US confidence in these regions grew. As demonstrated in the earlier case study in Andrew Formica's review, we made important steps towards broadening our US client offering this year, and we are excited about our future prospects in this key market.

Institutional activity in 2015 was dominated by fixed income clients. We reported a small net inflow of £0.5bn for the year and were encouraged by the high level of client activity which is becoming increasingly global.

Institutional flows were particularly strong in the first half with the funding of a £1.7bn fixed income mandate, in addition to positive interest in styles including multi-asset credit and absolute return bond as clients diversified their fixed income exposure. Client demand for income continued in the second half with good flows into outcome-oriented strategies in fixed income such as diversified credit and total return bond. However, outflows from traditional core sterling credit mandates partly offset inflows, as well as the £0.5bn outflow associated with the planned run-off of our Private Equity business. Nevertheless, momentum is strong and with a good pipeline of institutional investment strategies, we remain optimistic about the outlook for this business.

Overall market and FX movements for the period totalled £3.2bn. The importance of markets in delivering our AUM goal became apparent in the second and third quarters when volatility increased. However, our active management enabled us to navigate the challenging market backdrop and we continued to outperform.

The Group completed a number of transactions in 2015, the largest being the divestment of our 40% interest in TH Real Estate, a joint venture with TIAA-CREF. In the first quarter, we acquired the Old Mutual property fund (£0.5bn) which merged into the HUKPOEIC. In June, we saw the departure of the European Special Situations fund which was reflected as a £1.0bn disposal of AUM, and we also announced our plans to accelerate growth in Australia. We took full ownership of 90 West Asset Management in May, which contributed £0.1bn of AUM, and completed the acquisitions of Perennial Fixed Interest and Perennial Growth Management in November which added another £5.2bn. The planned roll-off of the Group's Private Equity business in October represented the best possible exit for the infrastructure funds, but we were very disappointed in the outcome for some of our clients.

Over the course of the year, we made positive steps towards the delivery of our long-term strategy and overall net new money growth of 11% (excluding Property related AUM with the exception of HUKPOEIC) demonstrates that we have continued to take market share across our key retail markets.

Income drivers

	2015 £m	2014 £m
Income		
Management fees (net of commissions)	**468.3**	403.5
Performance fees	**98.7**	82.8
Other income	**34.8**	32.5
Net fee income from continuing operations	**601.8**	**518.8**
(Loss)/income from associates and joint ventures	**(0.2)**	5.1
Finance income	**17.3**	10.1
Net income from continuing operations	**618.9**	**534.0**

Management fees and fee margins

As a result of strong net inflows, in combination with excellent investment performance, management fees increased from £403.5m in 2014 to £468.3m, up 16%.

The Group's management fee margin averaged 56.0bps in 2015, a decrease of 1.8bps on 2014 (57.8bps) which was largely attributable to business mix. Average institutional margins have reduced to 26.8bps due to the ongoing roll-off of our Private Equity business and a significant £1.7bn Institutional mandate win in the first quarter – a positive outcome as a result of an insurance client consolidating managers but broadly neutral in terms of revenue impact. Retail margins continue to remain relatively stable at 73.6bps, reflecting the strong momentum in our higher margin retail equities business and client demand for absolute return products. The acquisition of Perennial Fixed Interest and Perennial Growth Management, with lower average management fee margins, only had a small negative impact of 0.3bps in 2015.

Performance fees

In 2015, performance remained very strong with 81% of funds outperforming on a three year basis and 78% outperforming on a one year basis.

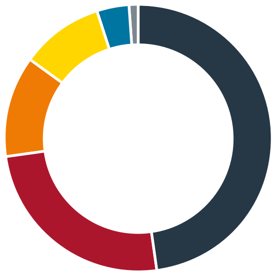
We delivered performance fees of £98.7m, a significant increase on the level reported in 2014 (£82.8m) and an excellent result reflecting continued strong investment returns for clients against a particularly volatile market backdrop.

We saw strong relative growth in performance fees generated from SICAVs, driven by excellent performance across funds including Henderson Gartmore UK Absolute Return, Henderson Pan European Alpha and Henderson Horizon Pan European Equity.

In line with last year, performance fees in 2015 accounted for 16% of net fee income – a level with which we are comfortable.

Although current performance is being driven by our core areas of strength, a number of our new capabilities are also performing well, creating a solid foundation for the future.

Performance fees



Other income and income from associates and joint ventures

In 2015, other income increased slightly from £32.5m to £34.8m, an increase of 7%. The largest component of this line item is a general administration charge to UK funds.

Income from associates and joint ventures decreased from £5.1m in 2014 and turned negative in 2015 (£0.2m). The largest contributor to income from associates and joint ventures in 2014 was TH Real Estate which was divested in June 2015. In 2015, TH Real Estate made a nominal contribution to continuing underlying profit.

Expense drivers

	2015 £m	2014 £m
Expenses		
Fixed employee compensation and benefits	**99.9**	88.4
Variable employee compensation and benefits	**168.7**	143.6
Total employee compensation and benefits	**268.6**	232.0
Non-staff operating expenses	**118.2**	102.6
Total operating expenses from continuing operations	**386.8**	334.6
Finance expenses	**12.1**	11.6
Total expenses from continuing operations	**398.9**	346.2

Total operating expenses

Total operating expenses increased by 16% to £386.8m, driven by a 16% increase in employee compensation and benefits and a 15% increase in non-staff operating expenses.

Fixed employee compensation increased by 13% to £99.9m reflecting the full year effect of Henderson Geneva Capital Management and prior year investments, in combination with wage increases and a number of new hires. Costs attributable to the Perennial acquisitions were added in November 2015.

Variable employee compensation increased to £168.7m, up 17% – an outcome of our remuneration schemes being structured to reward strong business performance, principally investment performance and flows. In 2015, we saw strong performance across our absolute return range, for which the performance fee pay-out is higher. Our resulting compensation ratio for the period was 44.6%, of which 0.7% related to additional national insurance costs on share schemes arising from the increase in share price from 214.0 pence at 31 December 2014 to 309.6 pence at 31 December 2015.

Our non-staff operating expenses increased by £15.6m to £118.2m, driven by increased regulatory project costs and continued investment in our global infrastructure.

Finance income and expenses

Finance income increased significantly from £10.1m in 2014 to £17.3m in 2015, driven by a £10.9m one-off gain on seed capital invested in the property funds which were sold to TIAA-CREF as part of the sale of our 40% stake in TH Real Estate. We subsequently reinvested this seed capital into our core business.

Finance expenses increased from £11.6m in 2014 to £12.1m in 2015 and reflected the interest payable on the 2016 Notes, which are due to be repaid in March 2016, and a small amount of other interest costs.

Acquisition related and non-recurring items

The acquisition related and non-recurring items are disclosed separately from that of the Group's underlying profit to enable the users of our financial statements to better understand the components of our total profit. These costs totalled £35.9m after tax (2014: £85.0m profit) and are primarily attributable to intangible amortisation of previously acquired investment management contracts, offset by a gain of £12.3m before tax which was largely attributable to the sale of the Group's 40% stake in TH Real Estate. In 2015, the Group recognised acquisition related costs of £5.9m before tax relating to deal and implementation expenses following the acquisition of Perennial Fixed Interest, Perennial Growth Management and 90 West and the conclusion of the Henderson Geneva Capital Management integration.

Australian acquisitions

On 1 November 2015, the Group completed its acquisitions of Perennial Fixed Interest and Perennial Growth Management, resulting in a £5.2bn increase to our AUM. In a separate transaction which completed on 29 May 2015, the Group took full ownership of 90 West Asset Management – our global natural resources equity business.

Australia is an important strategic market for Henderson and our recent acquisitions bring recognised domestic investment management capabilities which complement our global offerings, and align with our objective of growth and globalisation.

Tax

The tax charge on the Group's underlying profit from continuing operations for 2015 was £22.9m, resulting in an effective tax charge of 10.4% (2014: 11.0%) in comparison to a pro-rata UK corporation tax rate of 20.25% (2014: 21.5%). In 2015, the Group benefited from profits in some overseas jurisdictions being subject to lower tax rates and one-off tax credits on settlement of items relating to prior years, which has reduced the effective tax rate.

The Group's policy is to ensure that our profits are subject to tax in accordance with applicable tax laws and regulations in the jurisdictions in which we operate. Accordingly, the Group's future effective tax rate is dependent on any changes to such laws and regulations and is likely to rise to much nearer the UK tax rate in 2016.

Liquidity and capital management

The Group generated strong net operating cash flows, with total cash and cash equivalents of £381.6m at 31 December 2015 – an increase from £242.8m (including cash classified as held for sale) reported in 2014. Unrestricted cash stood at £352.6m after excluding manager dealing accounts, restricted cash and cash held in structured entities. With gross debt at par totalling £150.0m, the Group ended 2015 in a net cash position of £202.6m (2014: £77.7m). We intend to repay our £150.0m 2016 Notes maturing in March 2016 from cash resources.

Net cashflow was improved by a net £52.1m received from acquisitions and divestments, with the amounts received for the Group's 40% stake in TH Real Estate outweighing amounts paid for the Perennial acquisitions. A net inflow of £7.8m was received from seed capital investments, with amounts received for the disposal of the investments in TH Real Estate funds more than offsetting the £22.3m invested in new fund launches which included the Henderson Global Equity Income fund in Australia and the Henderson Horizon Pan European Dividend Income Fund. We consider seed investments to be a positive use of capital in our business. The increase in net cash was moderated by the £25m share buyback which is described later in this section.

To ensure the Group has sufficient access to liquidity following repayment of the 2016 Notes, on 10 February 2016 the Group entered into a revolving credit facility for £30.0m. Currently, there are no amounts drawn down under this facility.

Turning to regulatory capital, the Group is subject to regulatory oversight by the FCA and international regulatory bodies. The Group ensures it is compliant with its regulatory obligations at all times. We continue to operate under an investment firm waiver from consolidation supervision until April 2016. The regulatory capital surplus of the Group under the parent financial holding company test was £918.4m as at 31 December 2015 (2014: £960.0m). However, based on our own calculations, capital above our regulatory requirement without recourse to the waiver was around £100.0m as at 31 December 2015 (2014: £44.0m). The improvement in our capital surplus over the course of the year has been driven by strong profits and the disposal of our stake in TH Real Estate, offset by dividend payments, the share buyback and the purchase of the Perennial businesses.

Dividend

The Board declared an interim dividend of 3.10 pence per share and is recommending a final dividend for 2015 of 7.20 pence per share, bringing total dividends for 2015 to 10.3 pence per share, an increase of 14%. The proposed final dividend will be paid on 27 May 2016 to shareholders on the register on 6 May 2016. We continue to operate a progressive ordinary dividend policy and expect to grow our ordinary dividend broadly in line with underlying earnings growth over the medium term.

Share buyback

We are committed to the active management of our cash and capital resources. In 2015, our capital position strengthened which gave us increased flexibility around the deployment of our cash and capital, be that via organic growth, inorganic investment or returns to shareholders. In July, we announced that we were in a position of capital surplus and the Board was comfortable with our capital position following a period of strong business performance. Consequently, we were pleased to implement a share buyback programme to the value of £25m, which was completed in the second half of 2015.

Summary of movements in AUM

£m	Opening AUM 1 Jan 2015	Net flows	Market/FX	Acquisitions and disposals[1]	Closing AUM 31 Dec 2015	Closing AUM net management fee bps[2] 31 Dec 2015
Retail						
UK OEICs/Unit Trusts/Other[3]	**20,615**	1,261	891	591	**23,358**	
SICAVs	**14,171**	4,328	829	–	**19,328**	
US Mutuals	**6,005**	2,291	351	–	**8,647**	
Investment Trusts	**5,216**	152	214	–	**5,582**	
Total Retail	**46,007**	8,032	2,285	591	**56,915**	73
Institutional						
UK OEICs/Unit Trusts	**9,093**	497	152	–	**9,742**	
SICAVs	**1,266**	276	23	–	**1,565**	
Australian MIS	**–**	(3)	38	1,464	**1,499**	
Offshore Absolute Return Funds	**2,513**	(129)	262	(249)	**2,397**	
Managed CDOs	**251**	(159)	10	–	**102**	
Segregated Mandates	**15,530**	396	783	2,944	**19,653**	
TH Real Estate (40% share)	**5,650**	154	(87)	(5,717)	**–**	
Private Equity Funds[5]	**823**	(545)	(220)	–	**58**	
Other[4]	**29**	23	2	–	**54**	
Total Institutional	**35,155**	510	963	(1,558)	**35,070**	26
Group total	**81,162**	8,542	3,248	(967)	**91,985**	55
Total asset class						
Equities[6]	**50,706**	6,672	3,369	144	**60,891**	67
Fixed Income[7]	**21,322**	1,434	(51)	4,136	**26,841**	28
Property[8]	**8,295**	975	148	(5,247)	**4,171**	n/a
Private Equity[5]	**839**	(539)	(218)	–	**82**	n/a
Total Group	**81,162**	8,542	3,248	(967)	**91,985**	55
Absolute Return analysis						
Retail	**3,395**	1,994	148	12	**5,549**	
Institutional	**3,222**	149	31	–	**3,402**	
Total Absolute Return	**6,617**	2,143	179	12	**8,951**	

1. Acquisitions and disposals reflects the merger of the Old Mutual property fund into Henderson UK Property OEIC in January 2015, the net impact of the sale of the Group's 40% share of TH Real Estate completed on 1 June 2015; the transfer of Richard Pease's European Special Situations fund; the additional stake taken by the Group in 90 West Asset Management in May 2015; and the acquisition of Perennial Fixed Interest and Perennial Growth Management on 1 November 2015.
2. Closing management fee bps excludes joint venture and associates AUM.
3. Includes Australian Managed Investment Schemes (MIS), Singapore Mutuals and Retail Segregated Mandates.
4. Includes Singapore Mutuals and US Mutuals.
5. Private Equity funds' closing AUM is based on 30 September 2015 valuations.
6. Equities includes Multi-Asset and Commodities.
7. Fixed Income includes Cash.
8. Includes AUM of the Henderson UK Property OEIC which is sub-advised by TH Real Estate.
9. Certain items (including training and recruitment agency costs) were reclassified from employee compensation and benefits to other expenses in 2014. There was no impact on prior year profits. Prior year comparatives were restated.
10. Underlying profit, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.
11. Figures on these line items for the years ended 31 December 2015 and 2014 are audited; figures for the years ended 31 December 2013, 2012 and 2011 were audited and restated.
12. Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations.
13. Employee compensation and benefits from continuing operations divided by net fee income from continuing operations, calculated on an underlying profit basis.
14. Net margin calculated on underlying profit before tax from continuing operations divided by average assets under management.
15. Based on underlying profit after tax attributable to owners of the parent.
16. Asset-weighted performance of funds measured over one and three years to 31 December 2015. Performance for 2013 and 2014 includes Henderson UK Property OEIC – all prior periods include Property and Henderson UK Property OEIC performance.
17. FY13 performance data reflects a minor restatement, previously reported as 82%.

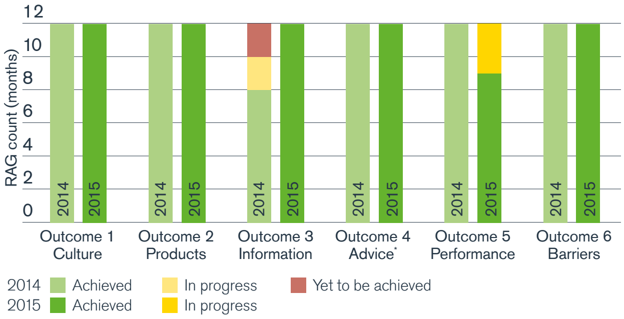
Five year financial summary (unaudited)

	FY15 £m	FY14 £m	FY13 (restated)[9] £m	FY12 (restated)[9] £m	FY11 (restated)[9] £m
Income					
Management fees (net of commissions)	468.3	403.5	331.9	301.9	309.8
Performance fees	98.7	82.8	94.5	30.4	63.4
Other income	34.8	32.5	34.9	39.2	48.3
Net fee income from continuing operations	601.8	518.8	461.3	371.5	421.5
(Loss)/Income from associates and joint ventures	(0.2)	5.1	1.8	–	(0.9)
Finance income	17.3	10.1	10.2	14.1	11.6
Net income from continuing operations	618.9	534.0	473.3	385.6	432.2
Expenses					
Fixed employee compensation and benefits[9]	(99.9)	(88.4)	(80.6)	(83.3)	(82.3)
Variable employee compensation and benefits	(168.7)	(143.6)	(128.8)	(70.6)	(96.5)
Employee compensation and benefits	(268.6)	(232.0)	(209.4)	(153.9)	(178.8)
Investment administration	(31.6)	(30.2)	(24.4)	(24.8)	(27.2)
Information technology	(20.0)	(17.1)	(17.1)	(14.4)	(13.5)
Office expenses	(16.9)	(15.0)	(13.7)	(13.3)	(13.3)
Depreciation	(5.2)	(4.7)	(3.2)	(2.8)	(2.9)
Other expenses[9]	(44.5)	(35.6)	(28.9)	(35.5)	(39.0)
Total operating expenses from continuing operations	(386.8)	(334.6)	(296.7)	(244.7)	(274.7)
Finance expenses	(12.1)	(11.6)	(11.1)	(14.3)	(17.2)
Total expenses from continuing operations	(398.9)	(346.2)	(307.8)	(259.0)	(291.9)
Underlying profit before tax from continuing operations[10, 11]	220.0	187.8	165.5	126.6	140.3
Underlying profit before tax from discontinued operation	–	7.6	24.6	26.4	19.7
Underlying profit before tax from total operations[10, 11]	220.0	195.4	190.1	153.0	160.0
Tax on underlying profit from continuing operations	(22.9)	(20.6)	(17.9)	(15.3)	(30.2)
Tax on underlying profit from discontinued operation	–	(1.3)	(2.9)	(4.2)	(3.4)
Total underlying profit after tax[10, 11]	197.1	173.5	169.3	133.5	126.4
Acquisition related items	(59.6)	(57.0)	(58.4)	(64.1)	(77.0)
Non-recurring items	7.5	145.0	(4.3)	13.8	(69.2)
Tax on acquisition related items	12.7	11.2	17.9	18.5	19.4
Tax on non-recurring items	3.5	(14.2)	0.6	4.7	16.2
Non-recurring tax credit	–	–	–	–	18.9
Total acquisition related and non-recurring items after tax	(35.9)	85.0	(44.2)	(27.1)	(91.7)
Total profit[11]	161.2	258.5	125.1	106.4	34.7
Attributable to:					
Equity owners of the parent	161.2	258.5	125.1	106.2	34.8
Non-controlling interests	–	–	–	0.2	(0.1)
Continuing KPIs					
Operating margin[12] (%)	35.7	35.5	35.7	34.1	34.8
Compensation ratio[9, 13] (%)	44.6	44.7	45.4	41.4	42.4
Average number of full-time employees	955	875	812	861	838
Assets under management (AUM) at year end (£bn)	92.0	81.2	63.7	53.9	52.7
Average AUM for the year for margin calculations on continuing basis (£bn)	83.6	69.9	59.0	53.4	56.2
Management fee margin (bps)	56.0	57.8	56.3	56.5	55.1
Total fee margin (bps)	72.0	74.3	78.2	69.6	75.0
Net margin[14] (bps)	26.3	26.9	28.1	23.7	25.0
Basic and diluted earnings per share (EPS)					
Weighted average number of ordinary shares for basic EPS (m)	1,093.1	1,085.2	1,058.8	1,034.0	954.1
Weighted average number of ordinary shares for diluted EPS (m)	1,143.0	1,139.8	1,137.0	1,082.0	1,012.7
Basic on total underlying profit[10, 15] (p)	18.0	16.0	16.0	12.9	13.3
Basic on continuing underlying profit[10, 15] (p)	18.0	15.4	13.9	10.8	11.6
Basic (p)	14.7	23.8	11.8	10.3	3.6
Diluted on total underlying profit[10, 15] (p)	17.2	15.2	14.9	12.3	12.5
Diluted on continuing underlying profit[10, 15] (p)	17.2	14.7	13.0	10.3	10.9
Diluted (p)	14.1	22.7	11.0	9.8	3.4
Dividend per share (p)	10.30	9.00	8.00	7.15	7.00
Investment performance[16]					
Funds at or exceeding benchmark over one year (%)	78	66	78	73	59
Funds at or exceeding benchmark over three years (%)[17]	81	83	81	69	66

Key performance indicators

We measure our strategic and operational progress through a set of indicators that focus on core performance factors.

1. Treating Customers Fairly (TCF)



Note:

* While Henderson does not give advice, we recognise our responsibilities as a product provider in satisfying ourselves that products we develop are being sold in line with our expectations of the type of customer for which they were designed.

Link to strategy

With our clients' needs at the heart of everything we do, we continue to strive to meet the expectations of our clients and their customers and to embed the fair treatment of customers into the firm's business model.

Embedding is measured using monthly management information to derive a "Red Amber Green" (RAG) rating for each of the six FCA TCF outcomes.

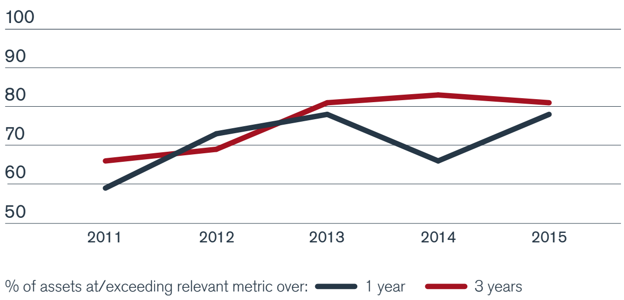
Performance

Improvements were achieved in the timely delivery of fund information to our clients (Outcome 3), while a number of specific areas for enhancement relating to customer service were identified and addressed over the year (Outcome 5).

Key customer-focused initiatives have included:

- Customer Champions appointed in the US and Asia, reporting customer issues to local management as well as the London-based Customer Interests and TCF Committee
- Continued engagement with the Henderson Customer Panel – providing a real time dialogue with 450+ of our UK direct Retail clients – to help better understand their needs and inform the launch of products and services
- Customer Interests Staff Survey[1] on performance in achieving client goals, expanded to all staff globally in 2015, showed an improved response rate of 84% (2014 (UK only): 71%).

2. Investment performance over 1 and 3 years (%)



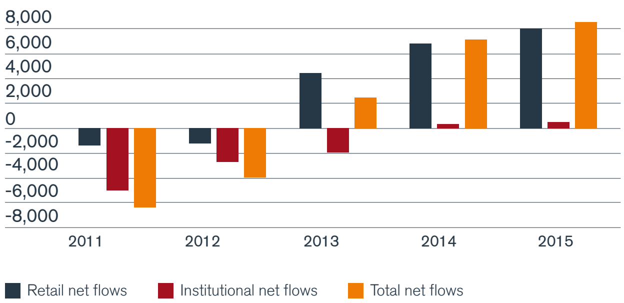
Link to strategy

Strong investment performance underpins our growth strategy, our reputation and our ability to attract net new money from clients. We measure the percentage of our assets at or exceeding the relevant metric over one and three years to monitor our performance.

Performance

- At the end of 2015, 78% of funds had outperformed over one year and 81% over three years, demonstrating consistently strong investment performance
- Investment performance was strong across all of our core capabilities, with two thirds or over of our assets in each capability outperforming over three years

3. Net fund flows (£m)



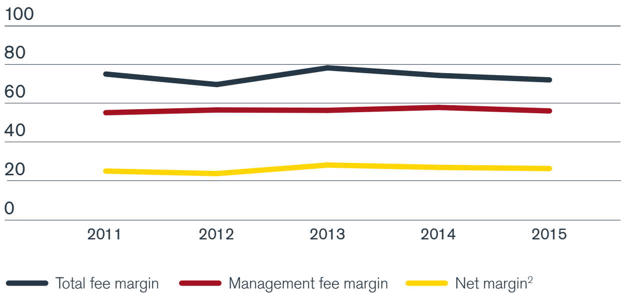
Link to strategy

Net fund flows are a strong lead indicator of the success of our strategy and are a key driver of revenue and profitability. Reflected in the mix of our fund flows are investment performance, distribution and client service, the success of our product offering in meeting client needs, and our strategy to globalise our business, as well as external market factors.

Performance

- Net new money growth of 11% (excluding TH Real Estate)
- Total net fund inflows of £8.5bn driven by our Retail business which contributed £8.0bn
- Institutional net flows of £0.5bn despite the exit from our Private Equity business driving an outflow of £545m
- Our significant net fund inflows reflect strong investment performance across an increasingly diverse product range

4. Fee margins (bps)[2]



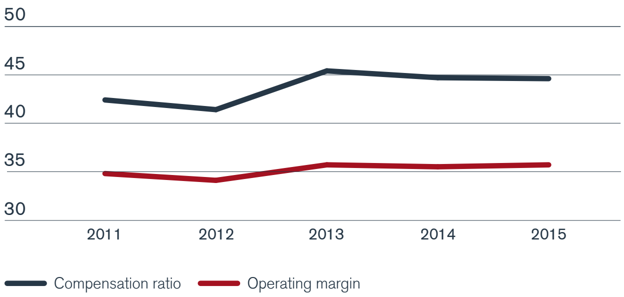
Link to strategy

Fee margins are under constant pressure across our industry – from clients, intermediaries, competitors and regulators.
Our average fee margin is a strong indicator of our ability to adapt and respond to these pressures, by delivering the right product at the right price to our clients, globally.

Performance

- Total fee margin decreased slightly to 72.0bps and management fee margin decreased to 56.0bps. These declines were driven by strong Retail flows offset by the exit from Private Equity, the impact of the win of revenue neutral Institutional mandates and the acquisition of the lower fee rate Perennial business
- Net margin remained relatively stable at 26.3bps, highlighting our ability to maintain operational efficiency

5. Operating margin and compensation ratio (%)[2]



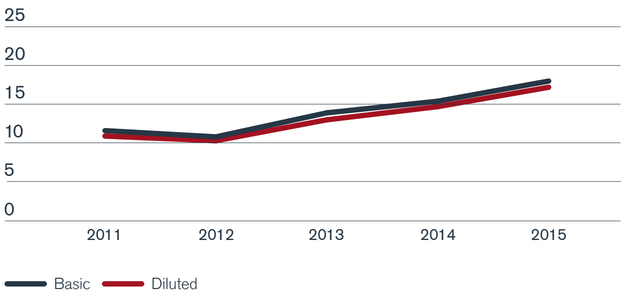
Link to strategy

Our ability to deliver value to our clients and shareholders depends on achieving the right balance between investing in the growth of our business, rewarding and retaining our staff and operating efficiently. These two ratios enable us to monitor this balance.

Performance

- Operating margin improved slightly in 2015 to 35.7%, driven by increased underlying profit and top-line revenue growth
- Compensation ratio remained broadly flat in 2015 at 44.6%, despite staff being rewarded for strong business performance, and the share price growth causing higher share scheme costs

6. Earnings per share on continuing underlying profit (p)[2]



Link to strategy

Earnings per share on continuing underlying profit is a clear measure of our ability to deliver sustainable, profitable growth on a global basis, and deliver value to our shareholders.

Performance

- Diluted earnings per share on continuing underlying profit grew to 17.2 pence in 2015, up from 14.7 pence in 2014
- Growth was primarily driven by the 17% increase in continuing underlying profit before tax, complemented by a reduction in the effective tax rate caused primarily by some one-off items

Notes:
1. The survey captures UK staff attitudes to customer-centric topics.
2. Net margin, operating margin, compensation ratio and basic and diluted earnings per share are all based upon continuing underlying profit before tax which, while not a GAAP measure, in the opinion of the Directors, gives relevant information on the profitability of the Group and its ongoing operations.

Risk management

The primary purpose of the Risk and Compliance functions is to assist Henderson in achieving its strategic objectives by "doing the right business in the right way". How has Henderson's risk profile changed in the year?

Market and liquidity risks, cyber risks and the intensity of regulatory change were key themes in the year.

Developments in 2015

Investment underperformance risk, both relative to benchmark and in absolute terms, is a key risk affecting the Group's business. Investor risk appetite and market prices are heavily determined by perceptions of macroeconomic and geopolitical risks. During 2015, these risks included continuing concerns over economic weakness in the eurozone, a significant loss of momentum in emerging markets, notably in China, and uncertainty over the timing and impact of any tightening of monetary policy in the USA. Heightened political risks included tensions in Eastern Europe, escalating violence in the Middle East and the impact of high levels of immigration on the cohesion of the European Union as well as the potential outcome of a referendum on the UK's continued membership of the European Union and the associated implications of any subsequent 'Brexit'. There were also heightened concerns over liquidity in fixed income markets and the potential consequences of large investor redemptions in this asset class. Henderson has not experienced any challenges in meeting redemptions in 2015, although we continue to monitor changes in liquidity risk closely and the potential impacts of such risks to our clients and funds via our Investment Risk team.

The intensity of regulatory scrutiny in relation to the asset management sector as a whole has increased significantly in the year, especially in Europe, and will continue to require focused attention and investment to meet more demanding regulatory standards. Cyber risks have also continued to be a key area of focus for global regulators and the Company. We have sustained our programme of technology and process enhancements, coupled with global staff training, in this area. The emergence of disruptive technologies, such as robo-advice, and their potential impact to our current business model are being closely monitored.

Changes in internal risks have been primarily driven by the continued global expansion of the business, with increased investment management and support capability in global locations, associated integration processes and expanded third party relationships. We have continued to build out our global risk management capabilities to match the developments in the business.

Capital position

The quantum of Henderson's risk exposure has not materially changed in 2015. Nevertheless, our successful delivery on our objectives throughout the year has led to a continued improvement in our capital position. This has enabled us to complete a £25m share buyback programme while maintaining estimated capital above our regulatory requirement of around £100m at 31 December 2015 (on a without recourse to the investment firm consolidation waiver basis).

Risk management framework

Risk management is a fundamental component of our global operating model and is deeply integrated in our day-to-day processes and controls. Although overall accountability for risk management lies with the Board, the principle of individual accountability and responsibility for risk awareness, monitoring and management is a key feature of our culture. All staff are assessed against their approach to, and demonstration of, risk management as part of the year end appraisal process. Henderson's approach to risk management is documented in our risk appetite statement, which includes specific qualitative and quantitative statements, and measures around eight key themes considered essential to the successful delivery of the Group's strategic goals:

- Client and fund investment focus
- Trust
- Group financial stability
- Group growth and performance
- Operational risk
- People risk
- Regulatory change
- Reputational risk.

The risk appetite statement provides direction as to the levels of risk which the business can take and is reviewed at least annually by the Board. The statement incorporates risk limits which, if reached, will prompt management to take action to reduce risk levels. These are supported by specific key risk indicators to ensure the Board is able to assess levels of risk across the business against the mandated appetite.

The Board and senior management take a forward looking view of risk to enable timely assessment and, where necessary, mitigation of new and emerging risks. The risk management process supports this approach through the early identification of emerging risks so that they can be evaluated alongside known and continuing risks. The principal risks which the Group faces as a result of its business model and strategy are described later in this announcement.

The risk management framework is documented in the Group's risk management policy, a summary of which can be found on our website (www.henderson.com/IR).

Three lines of defence

Our framework utilises a three lines of defence approach to managing risk.

The first line comprises the Chief Executive and business management, who ensure that the Group is managed on a day-to-day basis in accordance with our risk appetite.

The second line comprises the Risk and Compliance functions which monitor the financial, investment, operational and regulatory risks in the business and the related controls in place to manage these risks. The Risk and Compliance teams report to the Chief Risk Officer (CRO), who is independent of management and reports directly to the chair of the Board Risk Committee (BRC). The CRO attends all Board, Audit Committee and BRC meetings and detailed Risk and Compliance reporting is provided to these meetings by the second line functions. The CRO is also a member of the ExCo to ensure that risk management remains central to all aspects of business strategy and management.

The third line comprises Internal Audit which provides independent assurance over the operational effectiveness of processes and controls across the business. Internal Audit reports directly to the chair of the Audit Committee.

Henderson Group plc Board

1st line of defence	2nd line of defence	3rd line of defence
	Board Risk Committee	Audit Committee
Chief Executive & management	**Risk & Compliance**	**Internal Audit**

Chief Executive & management

- Primary responsibility for strategy, performance and risk management lies with the Board, the Chief Executive and the heads of each division and operating business.
- Business management is responsible for ensuring Henderson has in place effective internal controls.

Risk & Compliance

- Overall responsibility for risk management oversight lies with the Board Risk Committee.
- The CRO leads the Risk and Compliance functions which provide day-to-day independent monitoring and assessment of the risks in the divisions and operating business.

Internal Audit

- Independent assurance on the effectiveness of the risk management systems is provided by Internal Audit reporting to the Audit Committee.
- Audit of business areas is based on an assessment of risk with higher risk activities audited more frequently.

Henderson's Assurance function

The Assurance function comprises both second line of defence (Risk and Compliance) and third line of defence (Internal Audit) activities. The primary purpose of the Risk and Compliance functions is to assist Henderson in achieving its strategic objectives by "doing the right business in the right way". Consequently, Henderson will successfully protect all its clients' interests and its reputation as a trusted global asset manager. These goals underpin the work of all of Assurance, although each of the component parts of the function achieves them through different blends of educating, providing oversight and challenge, advising and supporting the business.

Viability statement

In accordance with the provisions of C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group, taking into account the current position and the principal risks that could have an impact on the Group's business model, future performance, solvency or liquidity. The Board has determined the principal risks through a process of consideration and assessment of Henderson's strategic objectives and current global business model.

The Directors have chosen to consider the prospects of the Group over a five year period, which is consistent with Henderson's strategic planning process.

As the Group is a regulated financial services business, the reports and procedures required by the Board to make its assessment are embedded within the Group's governance processes, which include, but are not limited to, the following:

- Budget and strategic planning results and assumptions reviewed by the Board containing profit, cash and capital forecasts over the next five years. This process also includes stress testing and a robust downside scenario. The scenarios are designed to be severe, yet plausible, and take into account the likely effectiveness of the mitigating actions that could be taken to reduce the impact should such an adverse event occur
- Consideration by the BRC of significant risk events that are designed to explore the resilience of the Group as part of its reverse stress testing process
- Consideration by the BRC of the Group's risk appetite statement
- Monitoring throughout the year by the BRC of the Group's strategic risk metrics.

The stress testing scenarios include a significant and protracted market downturn, poor investment performance and client withdrawals.

The five year strategic planning period is considered an appropriate timescale over which to assess viability as this is the period assessed by the Board for its Internal Capital Adequacy Assessment Process (ICAAP) and is considered to be the length of time required to determine whether a new investment team or strategy will ultimately be successful from launch. The five year period provides less certainty of outcome than detailed one year budgets used to set internal targets, but provides a robust planning tool against which strategic decisions can be made.

The Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period used for the assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Strategic priorities and associated principal risks:

	Deliver first-class investment performance and service to our clients			Expand our global investment offering to meet the current and future needs of our clients	
	Investment performance	**Market**	**Liquidity**	**Fund flows**	**Key personnel**
Description	▪ Risk that Henderson 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 AUM and revenues earned by the Group. ▪ Poor fund performance will also result in lower performance fees and reduced revenue.	▪ Risk that market conditions lead to a reduction in the value of clients' AUM and revenues earned by the Group. ▪ Risk that market conditions lead to a decline in the value of Group seed capital investments.	▪ Risk that underlying positions in funds managed by Henderson cannot be sold, liquidated or closed at a reasonable cost in an appropriate timeframe. As a result, a fund may incur losses and have a limited ability to meet its investor redemption obligations. Gating a fund would cause significant reputational damage.	▪ Risk of net redemptions by clients resulting in a decline in AUM and revenues earned by the Group.	▪ Risk of losing either a member of the ExCo or one of the Group's key investment or distribution teams. Potential adverse effect on business growth and/or the retention of existing business.
Trends in 2015	▪ Continued strong fund performance, with 81% of funds (weighted by AUM) outperforming over three years.	▪ The decline in equity markets in mid-2015 and subsequent volatile global market performance in the second half of the year impacted client AUM values.	▪ Reduced liquidity in global fixed income markets. ▪ Sudden and large price movements in certain asset classes/securities have become more frequent during the year.	▪ Overall, strong positive net inflows throughout 2015.	▪ Staff turnover remained low throughout the year, although two members of the ExCo left the Company in the year. ▪ Inflows into strongly performing funds have led to increasing concentration risk in European Equities; however, the percentage of Group revenues managed by any individual remains diversified.
Mitigation	▪ Robust investment process including detailed research. ▪ Clearly articulated investment philosophy including analysis of our funds by comparing their performance against appropriate benchmarks. ▪ Broad range of asset classes and fund styles reduces the probability of all funds underperforming at the same time. ▪ Independent Investment Risk function provides monitoring and challenge to ensure that the level of risk taken for each portfolio is consistent with client expectations.	▪ Risk of a fall in the value of clients' AUM is mitigated by having a broad range of clients by distribution channel, product, asset class and region. ▪ A significant amount of our expense base is variable. ▪ Limits on the aggregate amount of seed capital investment, diversification of the assets invested and appropriate hedging of the risks.	▪ Liquidity risks considered during implementation of new products and approval of new instrument types. ▪ Dilution levies and swing prices used to ensure that investors are treated fairly. ▪ Detailed oversight and challenge of fixed income and equity holdings by Investment Risk, including stress and scenario testing of portfolios. ▪ Close monitoring of global markets and liquidity events to ensure appropriate actions are taken as required.	▪ 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. ▪ Strong investment performance across product ranges.	▪ Competitive remuneration structures designed to recognise and reward staff performance that is in line with our principles. ▪ Succession plans are in place throughout the organisation to ensure that there is cover for key roles. ▪ Regular staff surveys are undertaken to identify any issues which could impact staff retention. ▪ Comprehensive training is offered to staff to improve skills and engagement. ▪ Strategy of sustaining broad and diverse fund manager teams to avoid dependence on single managers or teams.
Priorities in 2016	▪ Continued focus on investment performance across a broader range of investment styles.	▪ Monitoring of market related trends and potential impacts. ▪ Maintaining our diverse revenue base and agile approach to cost management.	▪ Continue monitoring of external events to identity potential market impacts in relation to Henderson funds. ▪ Continue focus on liquidity risks by the Investment Risk team through engagement with portfolio managers and review and challenge of portfolio holdings. ▪ Frequent scenario testing to ensure portfolios continue to meet house liquidity requirements.	▪ Continue to globalise our product range, launching successful products in new wrappers. ▪ Create products to meet client demand for global income, capital appreciation/preservation and other outcomes. ▪ Ensure that ongoing customer interest enhancements are thoroughly embedded. ▪ Targeted marketing initiatives to support client-focused themes.	▪ Continue the alignment of co-fund managers across relevant funds. ▪ Maintain high levels of staff engagement across the global firm.

Reputational risk: Risk that negative publicity regarding the Group will lead to client redemptions and a decline in AUM and revenue and/or to litigation. The risk of damage to the Group's reputation is considered more likely to result from one of the other risks

Strategic priorities and associated principal risks:

Diversify our business | **Operate efficiently**

materialising rather than as a standalone risk. Reputational risk is, therefore, mitigated primarily by the controls in place around our principal risks, but is also supported by our client-centric culture, which focuses on openness, transparency and delivery for clients.

	Acquisitions and divestments	Strategic	Operational, IT and legal	Regulatory change
Description	▪ Risk that an acquisition is a strategic failure, delivers negative economics or adversely impacts other parts of the business. ▪ Risk of organisational stress or process failures through potential demands on staff and resources through the need to integrate acquired businesses or to reorganise processes to divest parts of the business.	▪ Risk that Henderson's business strategy fails to deliver the required and expected outcomes for stakeholders. ▪ Risk that technological innovation and/or new market entrants within the asset management industry reduces profitability and requires a fundamental change to Henderson's business model.	▪ 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 our global expansion, the risk arising from major disruption to our business, including from cyber crime, and the risk of losses from trade execution errors or breaches of investment mandates. ▪ Risk of losses from litigation.	▪ 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 our products, increasing capital requirements, restricting our ability to sell certain products or pursue specific investment strategies, reducing our profitability through fee restrictions, affecting our ability to retain key personnel and/or increasing the cost and complexity of the Group's business.
Trends in 2015	▪ Acquisition of Perennial Fixed Interest and Perennial Growth Management. ▪ Acquisition of the remaining equity of 90 West Asset Management not already owned by the Group. ▪ Disposal of our remaining equity interest in the TH Real Estate joint venture. ▪ Acquisition of Old Mutual property fund.	▪ Continued innovation within the asset management industry, with ongoing focus on reduced costs and debate as to the relative merits of passive, "smart beta" and active management strategies and business models. ▪ Emergence of low cost solution providers giving online discretionary investment management/ robo-advice.	▪ Continued increase in the number and sophistication of acts of cyber crime against firms generally. ▪ Global expansion increases general operational risks through new staff, locations, system requirements and new/expanded third party relationships.	▪ Pace of regulatory change remained significant including new UK client money regulations, central counterparty clearing for OTC derivatives, Solvency II and European Banking Authority (EBA) Remuneration rules. ▪ Major regulatory change also underway with MiFID II, FCA Asset Management Market Study and FCA Senior Managers and Certification Regime.
Mitigation	▪ Acquisitions/divestments considered only where they fit with our strategic goals and meet our financial criteria such that we can realise value for our shareholders. The Board's risk appetite statement includes quantitative and qualitative criteria that must be met by any acquisition/divestment. ▪ Thorough due diligence performed before any acquisition is made, including assessment of our ability to successfully integrate the acquired business. ▪ Specific governance and project management structures implemented for acquisitions/ disposals. ▪ Integration risk, post-closing, is managed, monitored and reported.	▪ Concentration on delivery of Henderson's strategy through provision of first-class investment performance and service for our clients as efficiently as possible. ▪ Monitoring of emerging developments in the asset management industry, which might pose a threat to our current business model. ▪ Maintaining a clear understanding of our clients' needs through communication and interaction.	▪ Our control systems are designed to ensure operational and legal risks are mitigated to a level which is consistent with our risk appetite. ▪ Globally embedded three lines of defence model is key. ▪ Outsourced service providers are overseen by the relevant line function and the controls of key service providers are also reviewed by the Group's Assurance function. ▪ We maintain and test service and business continuity plans which are designed to ensure that, in the event of business disruption, we can maintain our operations without material damage to the business.	▪ Continued active and constructive engagement with regulators through regular dialogue. ▪ Regulatory developments are monitored by a dedicated team in Compliance, in liaison with external experts where required. ▪ Formalised cross-business project groups implement required changes to our business processes. ▪ Active involvement with and through relevant industry bodies.
Priorities in 2016	▪ Disciplined use of mergers and acquisitions to supplement organic growth. ▪ Continue to embed our Australian business, through the integration of the Perennial Fixed Interest, Perennial Growth Management and 90 West Asset Management teams.	▪ Concentration on delivery of Henderson's strategy through provision of first-class investment performance and service for our clients as efficiently as possible. ▪ Closely monitor developments in the industry. ▪ Continue to engage and interact with clients to ensure that we fully understand their needs and priorities.	▪ Focus on improving operating margins after a period of targeted investment. ▪ Disciplined capital management to build an appropriate capital buffer. ▪ Continue to invest in infrastructure and in the provision of our common global operating model.	▪ Fully engage with the FCA Asset Management Market Study. ▪ Despite a delayed implementation date, MiFID II will require significant investment of time and resources throughout 2016/17. ▪ Review implications of a vote for the UK to leave the European Union.

Directors' responsibilities statement

In relation to the financial statements

The Directors are responsible for preparing the Annual Report and Accounts which includes the Directors' report, the Strategic report, the Directors' remuneration report and the financial statements. The Directors are required to prepare and approve the financial statements for the Group and Parent Company in accordance with Jersey law for each financial year which show a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period in accordance with generally accepted accounting principles. The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

IAS 1 Presentation of Financial Statements requires that financial statements present fairly for each financial year the Group's and Company's financial position, financial performance and cash flows. In preparing the Group and Company financial statements, the Directors are also required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance
- State that the Group and Company have complied with IFRS, 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 confirm they have complied with all the above requirements in preparing the financial statements.

Directors' statement as to disclosure of information to auditors

Having made enquiries of fellow Directors and of the Company's auditors, each Director confirms that:

- So far as the Director is aware, there is no relevant audit information needed by the Company's external auditors in connection with preparing their report, of which the Company's external auditors are unaware
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make themselves aware of any relevant audit information needed by the Company's external auditors in connection with preparing their report and to establish that the Company's external auditors are aware of that information
- The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company to ensure that the financial statements comply with Jersey law. They are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that to the best of their knowledge:

- The financial statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company for the year ended 31 December 2015
- The Strategic report includes a fair review of the development and performance of the business and the position of the Group for the year ended 31 December 2015 and a description of the principal risks and uncertainties faced by the Group
- The Annual Report and Accounts, taken as a whole, provides the information necessary for shareholders to assess the Company's performance, business model and strategy and is fair, balanced and understandable
- The accounting records have been properly maintained.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website, www.henderson.com/IR. Legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed in accordance with a resolution of the Directors:

Andrew Formica
Chief Executive
10 February 2016

Roger Thompson
Chief Financial Officer
10 February 2016

Financial statements

Consolidated Income Statement

For the year ended 31 December 2015

		2015			2014		
	Notes	**Underlying profit £m**	**Acquisition related and non-recurring items (note 7) £m**	**Total £m**	Underlying profit £m	Acquisition related and non-recurring items (note 7) £m	Total £m
Income							
Gross fee and deferred income	3	**756.0**	**–**	**756.0**	651.2	–	651.2
Commissions and deferred acquisition costs	3	**(154.2)**	**–**	**(154.2)**	(132.4)	–	(132.4)
Net fee income		**601.8**	**–**	**601.8**	518.8	–	518.8
(Loss)/income from associates and joint ventures	15.2	**(0.2)**	**(0.5)**	**(0.7)**	5.1	(7.2)	(2.1)
Finance income	3	**17.3**	**12.4**	**29.7**	10.1	11.5	21.6
Net income from continuing operations		**618.9**	**11.9**	**630.8**	534.0	4.3	538.3
Expenses							
Operating expenses	4.1	**(381.6)**	**(5.9)**	**(387.5)**	(329.9)	(1.3)	(331.2)
Amortisation and depreciation		**(5.2)**	**(56.2)**	**(61.4)**	(4.7)	(53.7)	(58.4)
Total operating expenses		**(386.8)**	**(62.1)**	**(448.9)**	(334.6)	(55.0)	(389.6)
Finance expenses	6	**(12.1)**	**(1.9)**	**(14.0)**	(11.6)	(1.5)	(13.1)
Total expenses from continuing operations		**(398.9)**	**(64.0)**	**(462.9)**	(346.2)	(56.5)	(402.7)
Profit/(loss) before tax from continuing operations		**220.0**	**(52.1)**	**167.9**	187.8	(52.2)	135.6
Tax (charge)/credit on continuing operations		**(22.9)**	**16.2**	**(6.7)**	(20.6)	11.9	(8.7)
Profit/(loss) after tax from continuing operations		**197.1**	**(35.9)**	**161.2**	167.2	(40.3)	126.9
Discontinued operation							
Profit before tax	9.1	**–**	**–**	**–**	7.6	140.2	147.8
Tax charge	9.1	**–**	**–**	**–**	(1.3)	(14.9)	(16.2)
Profit after tax from discontinued operation		**–**	**–**	**–**	6.3	125.3	131.6
Profit/(loss) before tax from total operations		**220.0**	**(52.1)**	**167.9**	195.4	88.0	283.4
Tax (charge)/credit on total operations	8	**(22.9)**	**16.2**	**(6.7)**	(21.9)	(3.0)	(24.9)
Profit/(loss) after tax attributable to owners of the parent		**197.1**	**(35.9)**	**161.2**	173.5	85.0	258.5
Total profit attributable to owners of the parent arises from:							
Continuing operations				**161.2**			126.9
Discontinued operation				**–**			131.6
				161.2			258.5
Basic and diluted earnings per share from continuing operations							
Basic	10.3			**14.7p**			11.7p
Diluted	10.3			**14.1p**			11.1p
Basic and diluted earnings per share from total operations							
Basic	10.4			**14.7p**			23.8p
Diluted	10.4			**14.1p**			22.7p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit after tax		**161.2**	258.5
Other comprehensive income/(expense)			
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**8.8**	0.1
Exchange differences transferred to the Consolidated Income Statement on disposal of foreign operations		**0.5**	(1.9)
Available-for-sale financial assets:			
Net gains on revaluation		**14.8**	3.5
Reclassification to the Consolidated Income Statement on disposal		**(9.6)**	(6.7)
Reclassification to the Consolidated Income Statement on impairment due to distribution		**–**	0.6
Tax effect of revaluation		**–**	0.1
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial (losses)/gains:			
On defined benefit pension schemes (after tax deducted at source)	21.2	**(2.9)**	17.6
On other items		**–**	0.1
Tax effect of actuarial (losses)/gains		**(0.1)**	0.1
Other comprehensive income after tax		**11.5**	13.5
Total comprehensive income after tax		**172.7**	272.0
Attributable to:			
Owners of the parent		**164.0**	273.6
Non-controlling interests		**8.7**	(1.6)
		172.7	272.0

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Intangible assets	14	**680.6**	677.9
Investments accounted for using the equity method		**2.9**	74.4
Property and equipment	16	**14.4**	15.1
Retirement benefit assets	21.2	**130.0**	128.1
Deferred tax assets	23	**37.5**	36.0
Trade and other receivables	18	**0.1**	1.3
		865.5	932.8
Current assets			
Available-for-sale financial assets	17	**64.6**	71.0
Financial assets at fair value through profit or loss	17	**145.7**	35.9
Current tax assets		**0.9**	2.3
Trade and other receivables	18	**232.7**	275.9
Cash and cash equivalents	19.1	**381.6**	234.5
		825.5	619.6
Assets classified as held for sale	9.2	**–**	84.8
Total assets		**1,691.0**	1,637.2
Non-current liabilities			
Debt instrument in issue	20	**–**	149.4
Financial liabilities at fair value through profit or loss	17	**22.6**	31.4
Trade and other payables	24	**10.7**	13.2
Retirement benefit obligations	21.2	**8.1**	8.5
Provisions	22	**10.0**	9.7
Deferred tax liabilities	23	**31.6**	38.9
		83.0	251.1
Current liabilities			
Debt instrument in issue	20	**149.9**	–
Financial liabilities at fair value through profit or loss	17	**96.7**	25.8
Trade and other payables	24	**291.3**	290.2
Provisions	22	**1.9**	3.1
Current tax liabilities		**20.5**	23.0
		560.3	342.1
Liabilities classified as held for sale	9.2	**–**	26.0
Total liabilities		**643.3**	619.2
Net assets		**1,047.7**	1,018.0
Capital and reserves			
Share capital	25.2	**141.5**	142.4
Share premium		**747.9**	743.9
Own shares held		**(106.9)**	(94.7)
Translation reserve		**6.3**	(1.7)
Revaluation reserve		**7.6**	9.8
Profit and loss reserve		**240.7**	216.4
Equity attributable to owners of the parent		**1,037.1**	1,016.1
Non-controlling interests		**10.6**	1.9
Total equity		**1,047.7**	1,018.0

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2016. They were signed on its behalf by:

Richard Gillingwater

Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £m	Share premium £m	Own shares held £m	Translation reserve £m	Revaluation reserve £m	Profit and loss reserve £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2014	140.4	708.6	(69.4)	0.1	10.7	41.9	832.3	4.0	836.3
Profit after tax	–	–	–	–	–	258.5	258.5	–	258.5
Other comprehensive (expense)/income after tax	–	–	–	(1.8)	(0.9)	17.8	15.1	(1.6)	13.5
Total comprehensive (expense)/income after tax	–	–	–	(1.8)	(0.9)	276.3	273.6	(1.6)	272.0
Dividends paid to equity shareholders	–	–	–	–	–	(92.9)	(92.9)	–	(92.9)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(0.5)	(0.5)
Purchase of own shares for employee share schemes	–	–	(33.0)	–	–	–	(33.0)	–	(33.0)
Vesting of share schemes	–	–	44.2	–	–	(44.2)	–	–	–
Issue of shares for share schemes	2.0	35.3	(36.5)	–	–	–	0.8	–	0.8
Movement in equity-settled share scheme expenses	–	–	–	–	–	35.3	35.3	–	35.3
At 31 December 2014	142.4	743.9	(94.7)	(1.7)	9.8	216.4	1,016.1	1.9	1,018.0
Profit after tax	**–**	**–**	**–**	**–**	**–**	**161.2**	**161.2**	**–**	**161.2**
Other comprehensive income/(expense) after tax	**–**	**–**	**–**	**8.0**	**(2.2)**	**(3.0)**	**2.8**	**8.7**	**11.5**
Total comprehensive income/(expense) after tax	**–**	**–**	**–**	**8.0**	**(2.2)**	**158.2**	**164.0**	**8.7**	**172.7**
Dividends paid to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(105.4)**	**(105.4)**	**–**	**(105.4)**
Purchase of own shares for employee share schemes	**–**	**–**	**(63.0)**	**–**	**–**	**–**	**(63.0)**	**–**	**(63.0)**
Vesting of share schemes	**–**	**–**	**55.0**	**–**	**–**	**(55.0)**	**–**	**–**	**–**
Issue of shares for share schemes	**0.2**	**4.0**	**(4.2)**	**–**	**–**	**–**	**–**	**–**	**–**
Movement in equity-settled share scheme expenses	**–**	**–**	**–**	**–**	**–**	**39.2**	**39.2**	**–**	**39.2**
Tax on equity-settled share schemes	**–**	**–**	**–**	**–**	**–**	**11.2**	**11.2**	**–**	**11.2**
Purchase and cancellation of shares	**(1.1)**	**–**	**–**	**–**	**–**	**(23.9)**	**(25.0)**	**–**	**(25.0)**
At 31 December 2015	**141.5**	**747.9**	**(106.9)**	**6.3**	**7.6**	**240.7**	**1,037.1**	**10.6**	**1,047.7**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Net cash flows generated from operating activities	19.2	**269.8**	123.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(37.8)**	(76.1)
Proceeds from disposal of:			
– Property business, net of cash disposed		**–**	104.7
– interests in associates		**84.3**	13.7
– net available-for-sale financial assets - consolidated funds		**–**	17.5
– available-for-sale financial assets - seed capital		**26.6**	17.2
– financial assets at fair value through profit or loss - seed capital		**3.5**	–
– plant and equipment		**–**	0.4
Dividends from associates and distributions from joint ventures and funds		**1.6**	3.8
Purchases of:			
– net financial assets at fair value through profit or loss - consolidated funds		**(26.4)**	(72.0)
– available-for-sale financial assets - seed capital		**–**	(1.9)
– property and equipment	16	**(1.9)**	(1.6)
– computer software intangible assets	14	**(6.0)**	(4.1)
– investment management contracts		**(2.6)**	–
– interests in associates and joint ventures		**(4.0)**	(0.8)
Net cash flows generated from investing activities		**37.3**	0.8
Cash flows from financing activities			
Proceeds from issue of shares		**10.3**	7.3
Purchase of own shares for employee share schemes		**(63.0)**	(33.0)
Dividends paid to equity shareholders	12	**(105.4)**	(92.9)
Interest paid on debt instruments in issue		**(10.9)**	(10.9)
Non-controlling interests' investments in consolidated funds		**21.5**	16.6
Purchase of shares		**(25.0)**	–
Net cash flows used in financing activities		**(172.5)**	(112.9)
Effects of exchange rate changes		**4.2**	(0.4)
Net increase in cash and cash equivalents		**138.8**	10.5
Cash and cash equivalents at beginning of year		**242.8**	232.3
Cash and cash equivalents at end of year		**381.6**	242.8

Reconciliation of cash and cash equivalents

	Notes	2015 £m	2014 £m
Cash and cash equivalents	19.1	**381.6**	234.5
Cash and cash equivalents classified as held for sale	9.2	**–**	8.3
Total cash and cash equivalents		**381.6**	242.8

Company Income Statement

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Dividends received		277.0	98.4
Administration expenses		(4.8)	(3.0)
Profit before tax		272.2	95.4
Tax	8	–	–
Profit after tax		272.2	95.4

Company Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 £m	2014 £m
Profit after tax	272.2	95.4
Total comprehensive income after tax	272.2	95.4

Company Statement of Financial Position

As at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Investment in subsidiaries	15.1	1,029.8	1,030.8
		1,029.8	1,030.8
Current assets			
Trade and other receivables	18	8.8	2.6
Financial assets at fair value through profit or loss	17	41.7	34.6
Cash and cash equivalents	19.1	7.2	7.3
		57.7	44.5
Total assets		1,087.5	1,075.3
Liabilities			
Non-current financial liabilities at fair value through profit or loss		9.4	7.8
Current financial liabilities at fair value through profit or loss		18.8	18.3
Current trade and other payables	24	21.2	129.1
Total liabilities		49.4	155.2
Net assets		1,038.1	920.1
Capital and reserves			
Share capital	25.2	141.5	142.4
Share premium		747.9	743.9
Own shares held		(106.9)	(94.7)
Profit and loss reserve		255.6	128.5
Total equity		1,038.1	920.1

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2016. They were signed on its behalf by:

Richard Gillingwater

Chairman

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £m	Share premium £m	Own shares held £m	Profit and loss reserve £m	Total equity £m
At 1 January 2014	140.4	708.6	(69.4)	134.9	914.5
Total comprehensive income after tax	–	–	–	95.4	95.4
Dividends paid to equity shareholders	–	–	–	(92.9)	(92.9)
Purchase of own shares for employee share schemes	–	–	(33.0)	–	(33.0)
Vesting of share schemes	–	–	44.2	(44.2)	–
Issue of shares for share schemes	2.0	35.3	(36.5)	–	0.8
Movement in equity-settled share scheme expenses	–	–	–	35.3	35.3
At 31 December 2014	142.4	743.9	(94.7)	128.5	920.1
Total comprehensive income after tax	**–**	**–**	**–**	**272.2**	**272.2**
Dividends paid to equity shareholders	**–**	**–**	**–**	**(105.4)**	**(105.4)**
Purchase of own shares for employee share schemes	**–**	**–**	**(63.0)**	**–**	**(63.0)**
Vesting of share schemes	**–**	**–**	**55.0**	**(55.0)**	**–**
Issue of shares for share schemes	**0.2**	**4.0**	**(4.2)**	**–**	**–**
Movement in equity-settled share scheme expenses	**–**	**–**	**–**	**39.2**	**39.2**
Purchase and cancellation of shares	**(1.1)**	**–**	**–**	**(23.9)**	**(25.0)**
At 31 December 2015	**141.5**	**747.9**	**(106.9)**	**255.6**	**1,038.1**

Company Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Cash flows generated from operating activities			
Profit before tax		**272.2**	95.4
Changes in operating assets and liabilities	19.3	**(89.2)**	21.7
Net cash flows generated from operating activities		**183.0**	117.1
Cash flows from financing activities			
Proceeds from issue of shares		**10.3**	7.3
Purchase of own shares for employee share schemes		**(63.0)**	(33.0)
Dividends paid to equity shareholders		**(105.4)**	(92.9)
Purchase of shares		**(25.0)**	–
Net cash flows used in financing activities		**(183.1)**	(118.6)
Net decrease in cash and cash equivalents		**(0.1)**	(1.5)
Cash and cash equivalents at beginning of year		**7.3**	8.8
Cash and cash equivalents at end of year	19.1	**7.2**	7.3

Notes to the financial statements

Group and Company

1. Authorisation of financial statements and statement of compliance with IFRS

The Group and Company financial statements for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 10 February 2016 and the respective statements of financial position were signed on the Board's behalf by the Chairman. Henderson Group plc is a public limited company incorporated in Jersey and tax resident and domiciled in the United Kingdom. The Company's ordinary shares are traded on the LSE and CDIs are traded on the ASX.

The Group and Company financial statements have been prepared in accordance with IFRS and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the provisions of the Companies (Jersey) Law 1991.

2. Accounting policies

2.1 Significant accounting policies

Basis of preparation

The Group and Company financial statements have been prepared on a going concern basis and on the historical cost basis, except for certain financial instruments that have been measured at fair value.

The Group and Company financial statements are presented in GBP and all values are rounded to the nearest one hundred thousand pounds (£0.1m), except when otherwise indicated.

See the glossary to the Annual Report for definitions of certain accounting terms used in these financial statements.

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of Henderson Group plc and its interests in subsidiaries and consolidated structured entities (together consolidated entities), associates and joint ventures as at 31 December each year.

The financial statements of all the Group's significant consolidated entities are prepared to the same year end date as that of the Company. The financial statements of all material consolidated entities are prepared under either IFRS or local GAAP. Where prepared under local GAAP, balances reported by consolidated entities are adjusted to meet IFRS requirements for the purpose of the consolidated financial statements.

The results of consolidated entities acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that the control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

The profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to any non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a consolidated entity, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a consolidated entity, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Consolidated Income Statement. Any investment retained is recognised at fair value.

Interests in private equity funds and open-ended pooled funds, such as OEICs, unit trusts and absolute return funds, are accounted for as subsidiaries, consolidated structured entities or other financial investments depending on the economic interest of the Group assessed via fees earned and equity holdings and on the level of influence and control that the Group exercises through investment management and other contractual agreements. The Group's investment in associates, where the Group has the ability to exercise significant influence as well as joint ventures where there is joint control, are accounted for using the equity method of accounting. Under the equity method of accounting, the Group presents its share of its economic interest in these investments in the financial statements.

Presentation of the Consolidated Income Statement

The Group maintains a columnar format for the presentation of its Consolidated Income Statement. The columnar format enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before certain acquisition related and non-recurring items. This is the profit measure used to calculate EPS on underlying profit (refer to note 10) and is considered to be most appropriate as it better reflects the Group's underlying trading performance. Profit before acquisition related and non-recurring items is reconciled to profit before tax on the face of the Consolidated Income Statement.

The column 'Acquisition related and non-recurring items' comprises:

- acquisition related items: the amortisation of intangible assets, fair value changes and finance charges on contingent deferred consideration on business combinations, long-term remuneration plans recognised as part of a business combination and void property finance charges; and
- non-recurring items: deemed to be one-off and material, when considering both size and nature.

These items are disclosed separately to give a clearer presentation of the Group's results and are analysed further in note 7.

Notes to the financial statements continued

Group and Company continued

2.1 Significant accounting policies continued

Re-presentation of liabilities

In 2015, financial liabilities at fair value through profit or loss, excluding provisions, are shown separately from within trade and other payables where they have been previously presented. As a result, £31.4m and £25.8m have been transferred from non-current and current trade and other payables respectively in the 2014 Consolidated Statement of Financial Position. In addition, £7.8m and £18.3m have been transferred from non-current and current trade and other payables respectively in the 2014 Company Statement of Financial Position.

Income recognition

Gross fee income

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.

Commissions

Commissions on management fees are accounted for on an accruals basis and are recognised in the accounting period in which the associated management fee is earned.

Operating expenses

Operating expenses are accrued and recognised as incurred.

Finance income and expenses

Interest income 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. The net interest credit on the Group's retirement benefit asset has been recognised in finance income.

Finance expenses are recognised on an accruals basis.

Post-employment retirement benefits

The Group provides employees with retirement benefits through both defined benefit and defined contribution schemes. The assets of these schemes are held separately, from the Group's general assets, in trustee administered funds.

Defined benefit obligations and the cost of providing benefits are determined annually by independent qualified actuaries using the projected unit credit method.

The obligation is measured as the present value of the estimated future cash outflows using a discount rate based on AA rated corporate bond yields of appropriate duration. The resulting surplus or deficit of defined benefit assets less liabilities is recognised in the Consolidated Statement of Financial Position, net of any taxes that would be deducted at source. The Group's expense relating to the defined benefit schemes is recognised over the employees' service lives, based upon the actuarial cost for the accounting period, having considered the net interest credit or cost on the net defined benefit asset or liability. Recognised actuarial gains and losses are included in the Consolidated Statement of Comprehensive Income in the accounting period in which they occur, net of any taxes that would be deducted at source. Normal contributions to the defined contribution scheme are expensed in the Consolidated Income Statement as and when they become payable.

Share-based payment transactions

The Group issues share-based awards to employees, all of which are classified as equity-settled share-based payments. Equity-settled share-based payments are measured at the fair value of the shares at the grant date. The awards are expensed, with a corresponding increase in reserves, on either a straight-line basis or a graded basis (depending on vesting conditions) over the vesting period, based on the Group's estimate of shares that will eventually vest. Based on the Group's estimate, the determination of fair value, using the Black-Scholes or Monte Carlo model at the date of grant is adjusted for the effects of market performance and behavioural considerations.

Income taxes

The Group 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. Deferred tax liabilities are not recognised on goodwill but are recognised on separately identifiable intangible assets, where appropriate. 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 liabilities are not recognised for taxable differences arising on investments in consolidated entities, branches, associates and joint ventures where the Group controls the timing of the reversal of the temporary differences and where the reversal of the temporary differences is not anticipated in the foreseeable future.

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.

Income tax relating to items recognised in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity is also recognised in the respective statement and not in the Consolidated Income Statement.

Sales taxes

Income and expenses are recognised net of sales taxes, except where the sales tax is irrecoverable, in which case the sales tax is recognised as part of the cost of acquisition of an asset or as an expense. Receivables and payables are stated with the amount of sales taxes included. The net amount of sales tax recoverable from, or payable to, the tax authority, is included within receivables or payables in the Consolidated Statement of Financial Position.

Foreign currencies

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 Consolidated Income Statement, except for available-for-sale financial assets where the unhedged changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

On consolidation, the assets and liabilities of the Group's overseas operations whose functional currency is not GBP are translated at exchange rates prevailing at the reporting date. Income and expense items are recognised at daily exchange rates for the accounting period. Exchange differences arising, if any, are taken through the Consolidated Statement of Comprehensive Income to the translation reserve. Where net investment hedge accounting is applied using forward foreign currency contracts, the fair value movement on these contracts is also recognised within the translation reserve. In the period in which an operation is disposed of, translation differences previously recognised in the translation reserve are recognised in the Consolidated Income Statement.

Business combinations

All business combinations are accounted for using the acquisition method. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The fair value of a business combination is calculated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The cost of a business combination in excess of fair value of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill. Any costs incurred in relation to a business combination are expensed as incurred.

Contingent consideration, resulting from business combinations, is recognised at fair value at the acquisition date as part of the business combination, and discounted where the time value of money is material. The determination of the fair value is based on discounted cash flows, with the key assumptions being the probability of meeting each performance target and the discount factor applied. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date through the Consolidated Income Statement, along with finance charges where discounting has been applied.

Goodwill

Goodwill arising on acquisitions is capitalised in the Consolidated Statement of Financial Position. Goodwill on acquisitions prior to 1 January 2004 is carried at its value on 1 January 2004 less any subsequent impairments.

Goodwill arising on investments in associates and joint ventures is included within the carrying value of the equity accounted investments.

Where goodwill forms part of an entity or sub-group and the entity or sub-group or part thereof is disposed of, the goodwill associated with the entity or sub-group disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

Impairment of goodwill

Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. For this purpose, management prepares a valuation for the Group's cash generating unit based on its value in use. The value in use is based on forecasts approved by the Board, extrapolated for expected future growth rates and discounted at a risk-adjusted discount rate based on the Group's pre-tax weighted average cost of capital. Where the value in use is less than the carrying amount, an impairment is recognised. Any impairment is recognised immediately through the Consolidated Income Statement and cannot subsequently be reversed.

Investment management contracts

Investment management contracts have been identified as a separately identifiable intangible asset arising on the acquisition of subsidiaries. Such contracts are recognised at the present value of the expected future cash flows of the investment management contracts at the date of acquisition. The intangible asset is then amortised on a straight-line basis over the expected life of the contracts, currently estimated at between three and eight years.

Computer software

The costs of purchasing and developing computer software are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. Computer software is subsequently measured at cost less accumulated amortisation. Computer software is amortised on a straight-line basis over a period of three to seven years.

Investments in subsidiaries

Investments by the Company in subsidiary undertakings are held at cost less any impairment in value where circumstances indicate that the carrying value may not be recoverable.

Equity accounted investments

The Group's investment in associates, where the Group has the ability to exercise significant influence, as well as joint ventures, where there is joint control, are accounted for using the equity method of accounting. Investments are recognised initially at cost where purchased for cash, or at the fair value of shares received where acquired as part of a wider transaction. The investments are subsequently carried at cost adjusted for the Group's share of profits or losses and other changes in comprehensive income of the associate or joint venture, less any dividends or distributions received by the Group. The Consolidated Income Statement includes the Group's share of profits or losses after tax for the year, or period of ownership, if shorter.

Notes to the financial statements continued

Group and Company continued

2.1 Significant accounting policies continued

Impairment of assets (excluding goodwill and financial assets)

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, being the higher of an asset's fair value less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a risk-adjusted discount rate based on the Group's post-tax weighted average cost of capital.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised in the Consolidated Income Statement.

Discontinued operation

During 2014, the Group presented its Property business as a discontinued operation with its results excluded from those of continuing operations in the Consolidated Income Statement. Transaction costs, net of tax, incurred by the Group due to the disposal of the Property business, were also included within the discontinued operation line in the Consolidated Income Statement. Management determined that the Property business represented a major line of business and therefore reported it as a discontinued operation.

Financial instruments

Financial assets and liabilities are recognised at fair value in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of an instrument. The fair value recognised is adjusted for transaction costs, except for financial assets classified at fair value through profit or loss, where transaction costs are immediately recognised in the Consolidated Income Statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all the risks and rewards of ownership. Financial liabilities cease to be recognised when the obligation under the liability has been discharged or cancelled or has expired.

Financial assets

Purchases and sales of financial assets are recognised at the trade date, being the date when the purchase or sale becomes contractually due for settlement. Delivery and settlement terms are usually determined by established practices in the market concerned.

Debt securities, equity securities and holdings in authorised collective investment schemes are designated as either fair value through profit or loss or available-for-sale and are measured at subsequent reporting dates at fair value. The Group determines the classification of its financial assets on initial recognition.

Financial assets at fair value through profit or loss

Financial assets classified as fair value through profit or loss comprise the Group's manager box positions in OEICs and unit trusts, investments in the Group's fund products held by employee benefit trusts and investments designated as fair value through profit or loss relating to the initial seeding of funds. Where securities are designated as fair value through profit or loss, gains and losses arising from changes in fair value are included in the Consolidated Income Statement. Where investments in the Group's fund products are held against outstanding deferred compensation liabilities, any movement in the fair value of these assets will be offset by a corresponding movement in the deferred compensation liability in the Consolidated Income Statement.

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 Consolidated Statement of Comprehensive Income. When an asset is disposed of, the cumulative changes in fair value, previously recognised in the Consolidated Statement of Comprehensive Income, are taken to the Consolidated 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 Consolidated Statement of Comprehensive Income in respect of cumulative changes in fair value, are taken to the Consolidated Income Statement as an impairment charge.

Trade and other receivables and cash

Trade 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 Group 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.

Financial liabilities

Financial liabilities, excluding deferred consideration, provisions, derivatives, fund deferral liabilities and non-controlling interests in consolidated funds, are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Provisions

Provisions which are liabilities of uncertain timing or amount, are recognised when: the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting, the increase in the provision due to the passage of time is recognised as a finance charge.

Non-controlling interests in consolidated funds

For consolidated funds where a non-controlling interest is present, the non-controlling interest is presented as a liability where there is an obligation on the fund to repurchase units at the investor's request and is recognised in financial liabilities at fair value through profit or loss. Where the assets of the fund are presented as held for sale, the non-controlling interest is presented within held for sale liabilities.

Derivative financial instruments and hedging

The Group may, from time to time, use derivative financial instruments to hedge against price, interest rate, foreign currency and credit risk. Derivative financial instruments are classified as financial assets when the fair value is positive or as financial liabilities when the fair value is negative.

At the inception of a hedge, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they have been effective throughout the reporting periods for which they were designated and are expected to remain effective over the remaining hedge period.

Forward foreign currency contracts that are used to hedge the currency nominal value of certain non-GBP denominated financial assets are classified as fair value hedges. The change in the fair value of a hedging instrument is recognised in the Consolidated Income Statement. The change in the fair value of the hedged item, attributable to the risk being hedged, is also recognised in the Consolidated Income Statement, offsetting the fair value changes arising on the designated hedge instrument.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the reporting date. The quoted market price used for financial instruments is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques commonly used by market participants, including the use of comparable recent arm's length transactions, discounted cash flow analysis and option pricing models.

Equity shares

The Company's ordinary equity shares of 12.5 pence each are classified as equity instruments. Equity shares issued by the Company are recorded at the fair value of the proceeds received or the market price on the day of issue. Direct issue costs, net of tax, are deducted from equity through share premium. When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity.

Purchase of own shares

Own shares held

Own shares held are equity shares of the Company acquired by or issued to employee benefit trusts. Own shares held are recorded at cost and are deducted from equity. No gain or loss is recognised in the Consolidated Income Statement on the purchase, issue, sale or cancellation of the Company's own equity shares.

Share buyback programmes

Shares purchased as part of a share buyback programme are immediately cancelled. The nominal value of each share purchased and cancelled is debited against share capital and the remaining balance, being the difference between the price paid per share and the nominal value, is debited against the profit and loss reserve.

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are paid and, in the case of final dividends, when these are approved by the Company's shareholders at the AGM. Dividend distributions are recognised in equity.

Investing activities in consolidated funds re-presentation

The Consolidated Statement of Cash Flows now presents additions and disposals in financial instruments made by consolidated funds on a net basis within investing activities as these funds invest and divest investments frequently for trading purposes. The 2014 Consolidated Statement of Cash Flows has been re-presented to reflect this change with the reported figures relating to seed capital additions of £77.1m and disposals of £37.9m separated out on the following lines: (a) proceeds from disposal of net available-for-sale financial assets – consolidated funds; (b) proceeds from disposal of available-for-sale financial assets – seed capital; (c) purchases of net financial assets at fair value through profit or loss – consolidated funds; and (d) purchases of available-for-sale financial assets – seed capital. There is no impact on reported cash flows from investing activities.

Notes to the financial statements continued

Group and Company continued

2.2 Significant accounting judgements, estimates and assumptions

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

Acquisition of Geneva Capital Management LLC

The acquisition of Geneva Capital Management LLC (Geneva) requires certain judgements and estimates to be made around the future performance of the business when accounting for the contingent deferred consideration payable in the future. The contingent deferred consideration is calculated in two tranches and payable over six years on an annual basis if revenue retention and growth targets are achieved. Management has estimated the revenue of the business over the six year period to arrive at a discounted liability which is recognised in the Consolidated Statement of Financial Position.

In arriving at the recognised liability, management has applied estimates, including market growth rates based on long-term US equity data, expectations about the product range and growth potential of the business post acquisition and net flow data using client-specific information and other assumptions supported by management's industry knowledge.

Acquisition of Perennial

The acquisition of Perennial required certain judgements and estimates to be made around the future performance of the business when accounting for the investment management contracts acquired. The key estimates applied in valuing the investment management contracts were market growth and attrition rates which have been based around industry data for equities and fixed income and data specific to the acquired business.

Impairment of intangible assets

Goodwill and investment management contracts are reviewed for impairment annually or more frequently if there are indicators that the carrying value may be impaired.

The judgement exercised by management in arriving at these valuations includes the selection of market growth rates, fund flow assumptions, expected margins and costs. Further details on these assumptions are given in note 14.

Share-based payment transactions

The Group measures the cost of equity-settled share schemes at fair value at the date of grant and expenses them over the vesting period based on the Group's estimate of shares that will eventually vest.

Consolidation of funds

From time to time, the Group invests seed capital on the launch of products, such as OEICs, SICAVs, hedge funds and private equity funds and other investment vehicles. The seed capital investments vary in duration depending on the nature of the investment. The Group reviews the size and nature of these investments to consider its level of influence or control over the underlying funds to warrant accounting for them using the equity method, consolidating them into the Group's financial statements or classifying them as investments carried at fair value.

Where the Group does not control the fund it holds seed capital investments in, the Group is also not deemed to hold significant influence over these funds. As the seed capital investments are intended to help establish a fund track record and provide sufficient capital until a fund has sufficient external client capital, it is more appropriate for the Group's interest to be shown as either an available-for-sale financial asset or a financial asset carried at fair value through profit or loss.

Interests in other entities

The Group has assessed whether the funds it manages are structured entities. The Group has considered the voting rights and other similar rights afforded to other parties in these funds including the rights to remove the Group 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.

The Group has judged that its pooled investment funds are structured entities unless substantive removal or liquidation rights exist. Further details are provided in note 15.

Pension and other post-employment benefits

The costs of, and period end obligations under, defined benefit pension schemes are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. Further details are given in note 21.

Provisions

By their nature, provisions often reflect significant levels of judgement or estimates by management. The nature and amount of the provisions included in the Consolidated Statement of Financial Position are detailed in note 22 and contingencies not provided for are disclosed in note 31.

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.

Held for sale classification

As at 31 December 2014, the Group classified assets and liabilities of consolidated seed capital investments invested in 2014 as held for sale, on the basis that the seed capital investments would be redeemed within a year. During the period, it has been identified that redeeming a seed capital investment within a year is less than probable unless there is specific information available about a redemption on a certain seed capital investment. This change in estimate by management is based on the length of time exceeding one year to build a track record that is sufficient to fully dispose of these investments. Based on this change in assumption, the Group has transferred the assets and liabilities that were held for sale as at 31 December 2014 to their respective line items in the Consolidated Statement of Financial Position as at 31 December 2015.

2.3 Changes in accounting policies

The accounting policies adopted in this Annual Report are consistent with those of the previous financial year.

2.4 Future changes in accounting policies

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after 1 January 2016. The following new standards are not applicable to these financial statements but are expected to have an impact when they become effective. The Group plans to apply these standards in the reporting period in which they become effective.

IFRS 9 Financial Instruments introduces new requirements for classification and measurement, impairment and hedge accounting. This standard is currently expected to become effective in 2018.

IFRS 15 Revenue from Contracts with Customers requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. This standard is currently expected to become effective in 2018.

IFRS 16 Leases requires a lessee to recognise lease assets and liabilities, currently accounted for as operating leases, on the balance sheet and recognise amortisation of lease assets and interest on lease liabilities over the lease term. This standard is currently expected to become effective in 2019.

IFRS 9, IFRS 15 and IFRS 16 are subject to endorsement from the European Union.

The Group is assessing the impact of the above standards on the Group's future financial statements.

3. Income

Group

	Notes	**2015 £m**	2014 £m
Gross fee and deferred income			
Gross fee income		**754.6**	648.9
Amortisation of deferred income		**1.4**	2.3
		756.0	651.2
Commissions and deferred acquisition costs			
Commissions and fees payable		**(150.1)**	(130.5)
Amortisation of deferred acquisition and commission costs		**(4.1)**	(1.9)
		(154.2)	(132.4)
Net fee income		**601.8**	518.8
Loss from associates and joint ventures	15.2	**(0.7)**	(2.1)
Finance income			
Interest on cash and cash equivalents		**1.0**	0.8
Gain on sale of associate	7	**12.3**	11.5
Gain on sale of available-for-sale financial assets		**11.0**	3.9
Loss on financial instruments at fair value through profit or loss		**(1.2)**	(1.1)
Other net investment income		**1.8**	2.0
Net interest credit on defined benefit pension schemes	21.2	**4.8**	4.5
		29.7	21.6
Net income from continuing operations		**630.8**	538.3

Notes to the financial statements continued

Group and Company continued

4. Expenses

4.1 Operating expenses

Group

	Note	2015 £m	2014 £m
Employee compensation and benefits	5.2	**273.0**	233.4
Investment administration		**31.6**	30.2
Information technology		**19.8**	17.6
Operating leases		**7.7**	6.9
Office expenses		**9.3**	8.1
Foreign exchange losses/(gains)		**3.2**	(3.5)
Other expenses		**42.9**	38.5
Operating expenses from continuing operations		**387.5**	331.2

Other expenses include marketing, travel and subsistence, legal and professional costs and irrecoverable indirect taxes.

4.2 Auditors' remuneration

Group and Company

This note discloses the total remuneration payable to the Group's auditors.

	2015 £m	2014 £m
Fees payable to PwC for the audit of the Group's consolidated financial statements	**0.4**	0.1
Fees payable to PwC and their associates for other services:		
– statutory audit of the Group's subsidiaries	**0.6**	0.5
– audit related assurance services	**0.2**	0.2
– other assurance services	**0.3**	0.2
– tax services	**–**	0.1
Total fees	**1.5**	1.1

The above analysis reflects the amounts billed by PwC or accrued by the Group in 2015. Included in the fees payable to the Group's auditors for the audit of the Group's 2015 consolidated financial statements are fees of £29,411 for the audit of the Company's 2015 financial statements (2014: £28,544).

Audit related assurance services include the half year review of the Group's interim results, the auditors' regulatory engagements covering client assets and a review of the European Economic Area consolidated group. Other assurance services primarily relate to the work on the Group's AAF controls report. The Group has strict policies in place that restrict the use of the Group's auditors with respect to non-audit services.

5. Employee compensation and benefits

5.1 Number of employees

Group

The number of full-time employees was as follows:

	Average[1]		As at 31 December[1]	
	2015 no.	2014 no.	2015 no.	2014 no.
Number of employees relating to continuing operations	**955**	875	**1,016**	922
Number of employees relating to total operations	**955**	928	**1,016**	922

1. Excluding those working on capitalised projects.

Company

The Company has no full-time employees. Non-executive directors of the Company are not classified as full-time employees.

5.2 Analysis of employee compensation and benefits expense

Employee compensation and benefits expense comprises the following:

		Group		Company	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Salaries, wages and bonuses		**196.2**	175.3	**0.7**	0.3
Share-based payments	11.2	**28.9**	27.4	**–**	–
Social security costs		**39.2**	24.1	**0.1**	–
Pension service cost		**8.7**	6.6	**–**	–
Employee compensation and benefits expense from continuing operations		**273.0**	233.4	**0.8**	0.3

6. Finance expenses

Group

	Note	**2015 £m**	2014 £m
Debt instruments interest expense		**11.3**	11.3
Deferred consideration finance charge		**1.2**	0.3
Void property finance charge	22	**0.7**	1.2
Other		**0.8**	0.3
Total finance expenses		**14.0**	13.1

7. Acquisition related and non-recurring items from continuing operations

Group

		2015			2014		
	Notes	**Acquisition related items £m**	**Non-recurring items £m**	**Total £m**	Acquisition related items £m	Non-recurring items £m	Total £m
Loss/(income) from associates and joint ventures							
Associate intangible amortisation		**0.8**	**–**	**0.8**	1.8	–	1.8
TH Real Estate establishment costs		**–**	**(0.3)**	**(0.3)**	–	5.4	5.4
		0.8	**(0.3)**	**0.5**	1.8	5.4	7.2
Finance income							
TH Real Estate gain on sale		**–**	**(12.3)**	**(12.3)**	–	–	–
Australia acquisitions		**–**	**(0.1)**	**(0.1)**	–	–	–
ICICL gain on sale		**–**	**–**	**–**	–	(11.5)	(11.5)
		–	**(12.4)**	**(12.4)**	–	(11.5)	(11.5)
Operating expenses and amortisation							
Intangible amortisation	14	**56.2**	**–**	**56.2**	53.7	–	53.7
FSCS refund		**–**	**–**	**–**	–	(2.9)	(2.9)
Acquisition and integration costs		**0.7**	**5.2**	**5.9**	–	4.2	4.2
		56.9	**5.2**	**62.1**	53.7	1.3	55.0
Finance expenses							
Void property finance charge	22	**0.7**	**–**	**0.7**	1.2	–	1.2
Deferred consideration finance charge		**1.2**	**–**	**1.2**	0.3	–	0.3
		1.9	**–**	**1.9**	1.5	–	1.5
Total loss/(profit) before tax from continuing operations		**59.6**	**(7.5)**	**52.1**	57.0	(4.8)	52.2
Tax credit	8	**(12.7)**	**(3.5)**	**(16.2)**	(11.2)	(0.7)	(11.9)
Total loss/(profit) after tax from continuing operations		**46.9**	**(11.0)**	**35.9**	45.8	(5.5)	40.3

Non-recurring items in the prior year relating to the discontinued operation are analysed in note 9.1.

Notes to the financial statements continued

Group and Company continued

7.1 Non-recurring items

2015

TH Real Estate

- Loss/(income) from associates and joint ventures

A £0.3m adjustment to the Group's £5.4m share of one-off establishment costs recognised in 2014 was made in the current period.

- Finance income

On 1 June 2015, the Group sold its 40% stake in TH Real Estate, resulting in a £12.3m gain. Refer to note 15.2 for further detail regarding the transaction.

Australia acquisitions

- Finance income

A £0.1m gain has been recognised on the revaluation of the Group's previous 41.4% stake in 90 West, based on the transaction price on 29 May 2015 when the Group acquired the remaining 58.6% of shares. Refer to note 32 for further detail regarding the transaction.

Acquisition and integration costs

- Operating expenses and amortisation

The Group has incurred costs of £5.2m in the period including costs related to the acquisition of Perennial Fixed Interest Partners Pty Ltd and Perennial Growth Management Pty Ltd (together Perennial) and 90 West. Refer to note 32 for further detail regarding the transactions.

2014

TH Real Estate

- Loss/(income) from associates and joint ventures

TH Real Estate incurred one-off establishment costs, of which £5.4m is the Group's share (after tax where applicable), for the year ended 31 December 2014.

Intrinsic Cirilium Investment Company Limited (ICICL) gain on sale

- Finance income

The Group completed the sale of its 50% stake in ICICL in 2014, resulting in an £11.5m gain.

FSCS refund

- Operating expenses and amortisation

The Financial Services Compensation Scheme (FSCS) made a partial refund to the Group of £2.9m relating to the 2010/2011 Keydata cross subsidy levy in 2014. This amount was recognised as a credit in operating expenses to reflect the original treatment of the expense recognised in 2010 and 2012.

Acquisition and integration costs

- Operating expenses and amortisation

Deal and integration costs of £4.2m were incurred by the Group during 2014 relating to the acquisition of Geneva.

8. Tax

Tax recognised in the income statement

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current tax:				
– charge for the year	**21.4**	42.1	**–**	–
– prior year adjustments	**(4.6)**	(5.4)	**–**	–
Deferred tax:				
– credit for the year	**(9.7)**	(13.4)	**–**	–
– prior year adjustments	**(0.4)**	1.6	**–**	–
Total tax charged to the income statement	**6.7**	24.9	**–**	–

Reconciliation of profit before tax to tax charge/(credit)

The tax charge/(credit) for the year is reconciled to the profit before tax in the income statement as follows:

Group

	2015			2014
	Underlying profit £m	**Acquisition related and non-recurring items £m**	**Total £m**	Total £m
Profit/(loss) before tax from total operations	**220.0**	**(52.1)**	**167.9**	283.4
Tax charge/(credit) at the UK corporation tax rate of 20.25% (2014: 21.5%)	**44.6**	**(10.6)**	**34.0**	60.9
Factors affecting the tax charge/(credit):				
Differences in effective tax rates on overseas profits	**(12.0)**	**(1.1)**	**(13.1)**	(11.2)
Staff compensation deductions	**(6.9)**	**–**	**(6.9)**	–
Prior period adjustments	**(2.1)**	**(2.9)**	**(5.0)**	(3.8)
Utilisation of previously unrecognised tax losses	**(1.5)**	**(0.1)**	**(1.6)**	(2.2)
Non-taxable income and disallowable expenditure	**0.2**	**(1.6)**	**(1.4)**	(20.0)
Changes in statutory tax rates	**–**	**0.1**	**0.1**	0.9
Other items	**0.6**	**–**	**0.6**	0.3
Total tax charged/(credited) to the Consolidated Income Statement	**22.9**	**(16.2)**	**6.7**	24.9

During 2015, the Group came to a settlement with HMRC in respect of the treatment of certain compensation expenditure paid to staff in prior years. This settlement allowed the Group to claim a deduction in respect of compensation expenditure incurred in prior years, giving rise to a tax credit of £6.9m in 2015 (see Staff compensation deductions line item in the table above).

Company

	2015 £m	2014 £m
Profit before tax	**272.2**	95.4
Tax charge at the UK corporation tax rate of 20.25% (2014: 21.5%)	**55.1**	20.5
Factors affecting the tax charge:		
Non-taxable income and disallowable expenditure	**(55.9)**	(21.0)
Group relief surrender	**0.8**	0.5
Total tax charged to the Company Income Statement	**–**	–

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the pro-rata UK corporation tax rate for the year is 20.25% (2014: 21.5%).

Notes to the financial statements continued

Group and Company continued

9. Discontinued operation and assets and liabilities classified as held for sale

Group

9.1 Discontinued operation

On 1 April 2014, the Group completed transactions which resulted in the disposal of the Property business and simultaneous recognition of a 40% share in the newly formed joint venture – TH Real Estate. Prior to the disposal, the Group continued to consolidate the Property business and recognised a £6.3m underlying profit after tax from its operations in 2014. The Property business was classified as a discontinued operation in 2014. The results of this business for 2014 are presented below:

	2015 £m	2014 £m
Net fee income	–	19.3
Income from associates and joint ventures	–	0.1
Finance income	–	0.2
Net income	–	19.6
Operating expenses	–	(12.0)
Underlying profit before tax from discontinued operation	–	7.6
Tax charge on underlying profit	–	(1.3)
Underlying profit after tax from discontinued operation	–	6.3
Non-recurring items – profit on disposal of Property business	–	148.9
Non-recurring items – deal and separation costs	–	(8.7)
Tax charge on non-recurring items	–	(14.9)
Profit after tax from discontinued operation	–	131.6

Profit on disposal of Property business

	2014 £m
Cash consideration	114.2
40% contribution of TH Real Estate joint venture	74.8
Amounts receivable in respect of net assets sold at net book value	9.1
Total consideration	198.1
Disposal of:	
– goodwill and other intangible assets allocated to Property business	(33.3)
– other net tangible assets	(15.9)
Net assets disposed	(49.2)
Profit on disposal before tax and deal and separation costs	148.9
Deal and separation costs	(8.7)
Profit on disposal before tax	140.2
Tax charge on profit on disposal	(14.9)
Profit on disposal after tax	125.3

9.2 Assets and liabilities classified as held for sale relating to seed capital investments

	2015 £m	2014 £m
Financial assets at fair value through profit or loss	–	71.7
Available-for-sale financial assets	–	4.8
Cash and cash equivalents	–	8.3
Total assets classified as held for sale	–	84.8
Financial liabilities at fair value through profit or loss	–	26.0
Total liabilities classified as held for sale	–	26.0

See note 2.2 for further information on classification of assets as held for sale.

10. Earnings per share

Group

The weighted average number of shares for the purpose of calculating earnings per share is as follows:

	2015 no. (millions)	2014 no. (millions)
Issued share capital	1,139.2	1,130.9
Less: own shares held	(46.1)	(45.7)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,093.1	1,085.2
Add: potential dilutive impact of share options and awards	49.9	54.6
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,143.0	1,139.8

Basic and diluted earnings per share have been calculated on the profit attributable to owners of the parent. The difference between the weighted average number of shares used in the basic earnings per share and the diluted earnings per share calculations reflects the dilutive impact of options and awards of shares to employees, which are anticipated to be exercised based on market conditions as at the reporting date.

10.1 On continuing underlying profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Continuing profit after tax attributable to owners of the parent	161.2	126.9
Add back:		
Acquisition related and non-recurring items after tax from continuing operations (note 7)	35.9	40.3
Earnings for the purpose of basic and diluted earnings per share	197.1	167.2

Earnings per share

	2015 pence	2014 pence
Basic	18.0	15.4
Diluted	17.2	14.7

10.2 On total underlying profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Total profit after tax attributable to owners of the parent	161.2	258.5
Add back/(less):		
Acquisition related and non-recurring items after tax	35.9	(85.0)
Earnings for the purpose of basic and diluted earnings per share	197.1	173.5

Earnings per share

	2015 pence	2014 pence
Basic	18.0	16.0
Diluted	17.2	15.2

10.3 On continuing profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Earnings for the purpose of basic and diluted earnings per share	161.2	126.9

Notes to the financial statements continued

Group and Company continued

10.3 On continuing profit after tax attributable to owners of the parent continued

Earnings per share

	2015 pence	2014 pence
Basic	**14.7**	11.7
Diluted	**14.1**	11.1

10.4 On total profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Earnings for the purpose of basic and diluted earnings per share	**161.2**	258.5

Earnings per share

	2015 pence	2014 pence
Basic	**14.7**	23.8
Diluted	**14.1**	22.7

10.5 On discontinued profit after tax attributable to owners of the parent

Earnings

	2015 £m	2014 £m
Earnings for the purpose of basic and diluted earnings per share	**–**	131.6

Earnings per share

	2015 pence	2014 pence
Basic	**–**	12.1
Diluted	**–**	11.5

11. Share-based payments

Group

11.1 Share-based compensation plans

The Group operates a number of share-based compensation plans, being the Restricted Share Plan, Employee Share Ownership Plan, Long-Term Incentive Plan, Deferred Equity Plan, Buy As You Earn Share Plan, Company Share Option Plan, Executive Shared Ownership Plan and Sharesave Scheme. Further details of the material plans in operation during 2015 are set out below:

Deferred Equity Plan (DEP)

Employees who receive cash-based incentive awards over a preset threshold, have an element deferred. The deferred awards are deferred into the Company's shares, or into Group managed funds. The DEP trustee purchases Company shares and units or shares in Group managed funds and holds them in trust. Awards are deferred for up to three years and vest in three equal tranches. Those employees who elected to participate in the 2011 ESOP, have their restricted shares, upon vesting, automatically transfer into the 2011 ESOP as purchased shares. They may attract matching shares subject to the performance and employment conditions of that plan.

The 2013 DEP has a matching share element where employees, excluding Executive Directors, are awarded one matching share for every three restricted shares held in trust on the third anniversary of the award. One third of the restricted shares will become unrestricted on each anniversary. If an employee requests to receive any of the unrestricted shares prior to the third anniversary, the related matching shares will be forfeited. Forfeiture conditions apply in the case of leavers.

The expense of deferred short-term incentive awards (including social security costs) is recognised in the Consolidated Income Statement over the period of deferral. As at 31 December 2015, £57.0m (2014: £42.8m) of the expense of deferred awards relating to continuing operations is to be recognised in future periods.

Employee Share Ownership Plan (ESOP)

The 2011 ESOP enabled all staff, including Executive Directors, to defer part of their cash-based incentive awards up to a specified limit through the purchase of Company shares. The 2011 ESOP awards up to three matching shares for every share purchased depending on the performance of the Henderson Group TSR and Company share price. The matching shares vest on the third, fourth and fifth anniversaries, if the conditions have been met on each anniversary. At the end of 2015, the TSR performance condition allows for 2.0 matching shares on one third of the purchased shares to vest in May 2016 (2014: 0.5 matching shares; 2013: 1.5 matching shares).

Restricted Share Plan (RSP)

The RSP allows employees to receive shares in the Company for £nil consideration at a future point, usually after three years. The awards are made typically for staff recruitment and retention purposes and larger awards generally have performance hurdles. The Remuneration Committee approves awards to Code Staff, any awards over £500,000 and award vestings that exceed £50,000. On vesting, the employee must satisfy any employee tax and social security obligations.

Long-Term Incentive Plan (LTIP)

The LTIP awards provide selected employees restricted shares or £nil cost options that have employment conditions and performance conditions attached as shown below. Employees who have been awarded such options have five years to exercise their options following the three year vesting period for 2013 LTIP and five and four years to exercise their options following the three and four year vesting periods (respectively) for the 2014 LTIP. Two thirds of the 2015 LTIP can be exercised from the end of year three and one third from the end of year four.

2013 and 2014 award criteria	Amount vesting
Henderson Group TSR less than the 50th percentile of the FTSE 350 General Financial Services companies	nil%
Henderson Group TSR at the 50th percentile of the FTSE 350 General Financial Services companies	25%
Henderson Group TSR at or above the 75th percentile of the FTSE 350 General Financial Services companies	100%

If the Henderson Group TSR is between the 50th and 75th percentiles, the amount vesting will increase on a linear basis. The Remuneration Committee must also be satisfied that the Henderson Group TSR reflects the underlying performance of the Group. For the 2012, 2013 and 2014 LTIP, the performance hurdle is 95% relative to Henderson Group TSR and 5% on risk and sustainability metrics.

Employees may be entitled to dividend equivalents for the 2013 and 2014 LTIP, subject to approval by the Remuneration Committee, once the LTIP is vested based on the dividends declared during the three year vesting period in respect of the shares that vest. The dividend equivalents are payable in two equal tranches, one and two year(s) after vesting. However, employees are not entitled to vote or receive dividends in respect of these awards until the vesting conditions are met, nor are they allowed to pledge, hedge or assign the expected awards in any way.

The 2015 LTIP award vesting and release of the award are subject to performance against the following performance conditions measured (as appropriate) over, or at the end of, the relevant three or four year performance period (in respect of the first and second tranche of the award respectively):

2015 award criteria	Weighting
Market conditions	
– FTSE 350	25%
– ASX 100	25%
Non-market	
– Net Fund Flows Condition	15%
– Investment Performance Condition	15%
– Operating Margin Condition	10%
– People Strategy Condition	10%

In respect of the first tranche of the award, an additional holding period of two years shall apply commencing on the relevant vesting date, during which time the participant may not sell, pledge, charge, assign, dispose of or otherwise transfer ownership of the underlying shares pertaining to the award, other than to meet mandatory liabilities to tax and/or social security contributions. In respect of the second tranche of the award, an additional holding period of one year shall apply commencing on the relevant vesting date with similar conditions.

The 2012 LTIP met its vesting conditions on 31 December 2014 and 43% of awards vested in April 2015. The 2013 LTIP met its vesting conditions on 31 December 2015 and 98% of awards will vest in April 2016.

Notes to the financial statements continued

Group and Company continued

11.2 Share-based payments charged to the Consolidated Income Statement from continuing operations

	2015 £m	2014 £m
DEP	**12.6**	12.5
LTIP	**5.7**	3.8
RSP	**5.4**	5.4
BAYE	**1.9**	0.8
ExSOP	**1.3**	0.9
CSOP	**1.1**	0.9
SAYE	**0.5**	0.4
ESOP	**0.4**	2.7
Share-based payments expense	**28.9**	27.4

The total amount settled through the Consolidated Statement of Changes in Equity is analysed between:

	2015 £m	2014 £m
Share-based payments charged to the Consolidated Income Statement from continuing operations	**28.9**	27.4
Share-based payments charged to the Consolidated Income Statement from discontinued operation	**–**	1.4
Other equity-settled bonuses and other movements	**10.3**	6.5
Amounts settled through equity	**39.2**	35.3

All amounts above exclude related employment taxes which are recognised in the Consolidated Income Statement.

11.3 Fair value of share-based compensation plans

The following share schemes involve the grant of shares and options for £nil consideration. The fair value of these grants is calculated using the share price at grant date, which is set out in the following table. LTIP fair values have been discounted on the basis that the option holder has no entitlement to dividends over the vesting period of the option. Dividend equivalents, should they be awarded, will be treated as separate, cash-settled awards. No adjustments have been made for dividends relating to the DEP and BAYE.

	2015		2014	
	Shares/ options granted no.	Average grant share price £	Shares/ options granted no.	Average grant share price £
LTIP	**6,192,531**	**2.73**	5,842,500	2.40
DEP	**4,982,915**	**2.86**	4,334,868	2.60
RSP	**1,262,989**	**2.60**	2,496,305	2.42

The fair value calculation for the LTIP includes a statistical assessment of the likelihood of the Company achieving performance targets as set out in the plan.

12. Dividends paid and proposed

Company

	2015 £m	2015 pence per share	2014 £m	2014 pence per share
Dividends on ordinary shares declared and paid in the year				
Final dividend in respect of 2014 (2013)	**70.9**	**6.40**	64.0	5.85
Interim dividend in respect of 2015 (2014)	**34.5**	**3.10**	28.9	2.60
Total dividends paid and charged to equity	**105.4**	**9.50**	92.9	8.45

	2015 £m	2015 pence per share	2014 £m	2014 pence per share
Dividends proposed on ordinary shares for approval by the shareholders at the AGM				
Final dividend for 2015 (2014)	**81.5**	**7.20**	72.9	6.40

The Board is recommending a final dividend for 2015 of 7.20 pence per share which, when added to the interim 2015 dividend of 3.10 pence per share, results in a total dividend for 2015 of 10.30 pence per share. The final dividend proposed in respect of 2015 of £81.5m is based on the total number of ordinary shares in issue at 31 December 2015. There was a £2.9m decrease between the proposed dividends (2014 final: £72.9m and 2015 interim: £35.4m), as reported in the 2014 Annual Report and the Interim Report for the six months ended 30 June 2015, versus the dividends paid out during the year (2014 final: £70.9m and 2015 interim: £34.5m). This represents dividends waived by employee benefit trust trustees on shares held in trust on behalf of Group employees. The amount waived in respect of the final dividend declared in respect of 2015 will be established by the employee benefit trust trustees on 6 May 2016, being the dividend record date.

13. Segmental information

Group

Henderson is a global investment manager. The Group manages a broad range of actively managed investment products for institutional and retail investors, across five capabilities, being European Equities, Global Equities, Global Fixed Income, Multi-Asset and Alternatives, including Private Equity and Property. Management operates across product lines, distribution channels and geographic regions. All investment product types are sold in most, if not all, of these regions and are managed in various locations.

Information is reported to the chief operating decision-maker, the Board, on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board and, on this basis, the Group is a single segment investment management business.

Entity-wide disclosures

	2015 £m	2014 £m
Revenues by product on continuing operations		
UK OEICs/unit trusts	**262.5**	254.9
SICAVs	**257.0**	178.7
US mutuals	**82.8**	57.1
Institutional segregated mandates and cash funds	**62.8**	51.8
Offshore absolute return funds	**50.0**	63.3
Other	**40.9**	45.4
Gross fee and deferred income	**756.0**	651.2

The Group does not have a single client which accounts for more than 10% of revenues.

Geographic information

	2015 £m	2014 £m
Revenues from clients on continuing operations		
UK	**457.9**	447.2
Luxembourg	**179.0**	132.3
Americas	**112.6**	66.5
Australia	**3.7**	1.1
Singapore	**1.4**	1.9
Japan	**1.2**	0.8
Other	**0.2**	1.4
Gross fee and deferred income	**756.0**	651.2

The geographical revenue information is split according to the country in which the revenue is generated, not necessarily where the client is based.

Notes to the financial statements continued

Group and Company continued

13. Segmental information continued

	2015 £m	2014 £m
Non-current assets		
UK	**558.1**	670.4
Americas	**85.2**	88.3
Australia	**53.9**	8.0
Other	**0.7**	0.7
	697.9	767.4

Non-current assets for this purpose consist of intangible assets, investments accounted for using the equity method and property and equipment.

14. Intangible assets

Group

Intangible assets are analysed as follows:

2015

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	523.7	361.5	14.9	900.1
Additions	29.5	18.7	6.0	54.2
Impact of foreign exchange movement	3.5	3.8	–	7.3
At 31 December	556.7	384.0	20.9	961.6
Accumulated amortisation				
At 1 January	–	(218.5)	(3.7)	(222.2)
Charge	–	(56.2)	(2.6)	(58.8)
At 31 December	–	(274.7)	(6.3)	(281.0)
Carrying value at 31 December	**556.7**	**109.3**	**14.6**	**680.6**

2014

	Goodwill £m	Investment management contracts £m	Computer software £m	Total £m
Cost				
At 1 January	482.8	310.7	10.8	804.3
Additions	34.2	48.9	4.1	87.2
Adjustment to assets classified as held for sale	5.4	–	–	5.4
Impact of foreign exchange movement	1.3	1.9	–	3.2
At 31 December	523.7	361.5	14.9	900.1
Accumulated amortisation				
At 1 January	–	(164.8)	(1.6)	(166.4)
Charge	–	(53.7)	(2.1)	(55.8)
At 31 December	–	(218.5)	(3.7)	(222.2)
Carrying value at 31 December	523.7	143.0	11.2	677.9

The Group considers itself to have one cash generating unit to which goodwill is allocated.

The recoverable value of goodwill for the Group at 31 December 2015 has been determined by a value in use calculation, using cash flows based on the Group's annual budget and five year forecasts approved by the Board and a terminal value for the period thereafter. The key assumptions applied to the Group's annual budget and five year forecast are market performance and net fund flows. Management determined these key assumptions by assessing current market conditions and through the utilisation of forward looking external evidence.

The terminal value has been calculated assuming a long-term growth rate of 2% per annum in perpetuity, based on the Group's view of long-term nominal growth, which does not exceed market expectations.

A pre-tax risk-adjusted discount rate of 12.7% per annum has been applied. The resultant value in use calculation has been compared with the carrying value of the Group's goodwill to determine if any goodwill impairment arises. The calculation shows significant headroom in the recoverable value of goodwill. Sensitivities were performed by adjusting key assumptions for reasonable possible changes, with the model continuing to show significant headroom.

Recent market transactions and the Group's current market capitalisation provide additional evidence that the recoverable value of goodwill is in excess of the carrying value.

15. Interests in other entities

The Group operates as a global investment manager and reports its results to the Board on an aggregated basis. The Group manages its operations via investments in subsidiaries, associates and joint ventures and interests in structured entities.

The Group's interests in structured entities are through employee benefit trusts and seed capital investments in funds. Employee benefit trusts are consolidated and are for the purpose of administering the Group's share-based payment arrangements. Further details of the Group's share-based payment arrangements are set out in note 11. The Group holds interests in funds via seed capital investments and investment management agreements, for which it earns management fees and, in certain funds, performance fees. Segregated mandates and investment trusts do not give the Group any rights over the client or trust who have the right to remove the Group as manager, being a right similar to a voting right. As such, segregated mandates and investment trusts are not structured entities. Management has determined that the Group acts as agent for unconsolidated funds due to its relatively low economic exposure and variability of returns.

The Group is exposed to structured entities via the risk that their AUM decreases which will cause a fall in the Group's income. Considering the potential for changes in the AUM of structured entities, management has determined that the Group's structured entities should be aggregated by the type of vehicle. As all of the Group's unconsolidated funds that meet the definition of a structured entity are in pooled investment funds, disclosures have been made on this basis. Refer to note 15.3.

15.1 Subsidiaries

Company

Investment in subsidiaries

	2015 £m	2014 £m
At 31 December	**1,029.8**	1,030.8

The wholly owned and directly held subsidiary of the Company is as follows:

	Country of incorporation and principal place of operation	Functional currency
Henderson Group Holdings Asset Management Limited	UK	GBP

Group

Refer to note 34 for the subsidiaries of the Group, excluding the directly held subsidiary of the Company shown above.

15.2 Investments accounted for using the equity method

Group

The Group holds interests in the following associates and joint ventures managed through shareholder agreements with third party investors, accounted for under the equity method:

	Country of incorporation and principal place of operation	Functional currency	2015 Percentage owned	2014 Percentage owned
Northern Pines Henderson Capital GP LLC	USA	USD	**50%**	50%
Northern Pines Henderson Capital LLC	USA	USD	**50%**	50%
Optimum Investment Management Limited	UK	GBP	**50%**	50%
TIAA Henderson Real Estate Limited	UK	GBP	**–**	40%
90 West Asset Management Limited	Australia	AUD	**–**	41%

Notes to the financial statements continued

Group and Company continued

15.2 Investments accounted for using the equity method continued

On 29 May 2015, the Group acquired the remaining 58.6% of the share capital of 90 West. As a result, this investment has been transferred from an investment in associate to an investment in subsidiary. See note 32 for further details.

The Group's share of income/(loss) after tax from associates and joint ventures is as follows:

	2015 £m	2014 £m
TH Real Estate share of underlying profit	0.1	2.7
TH Real Estate share of acquisition related and non-recurring items	(0.5)	(7.2)
TH Real Estate share of loss	(0.4)	(4.5)
Share of (loss)/income from other associates and joint ventures	(0.3)	2.4
Total share of loss	(0.7)	(2.1)

A summary of the total net assets and total profit and loss of TH Real Estate is provided below:

	As at 31 December 2015 £m	As at 31 December 2014 £m
Non-current assets	–	173.7
Current assets	–	50.9
Current liabilities	–	(51.2)
Non-current liabilities	–	(3.4)
Net assets	–	170.0

No assets or liabilities are shown as at 31 December 2015 as the Group sold its stake in TH Real Estate on 1 June 2015. Included in TH Real Estate's current assets as at 31 December 2014 was £21.7m of cash and cash equivalents.

Disposal of TH Real Estate

On 1 June 2015, the Group sold its 40% stake in TH Real Estate, with a carrying value of £72.9m, for consideration of £84.3m. At 31 December 2014, the Group was due £15.5m from TH Real Estate relating to trading and other assets. This was fully repaid in 2015 prior to or as a part of the 1 June 2015 transaction.

	For the 5 months ended 31 May 2015			For the 9 months ended 31 December 2014		
	Underlying profit £m	Acquisition related and non-recurring items £m	Total £m	Underlying profit £m	Acquisition related and non-recurring items £m	Total £m
Income	28.0	–	28.0	49.4	–	49.4
Operating expenses	(25.2)	–	(25.2)	(39.4)	(2.8)	(42.2)
Amortisation and depreciation	(0.7)	(2.6)	(3.3)	(1.2)	(5.6)	(6.8)
Profit/(loss) before tax	2.1	(2.6)	(0.5)	8.8	(8.4)	0.4
Tax (charge)/credit	(0.5)	0.5	–	(2.1)	1.6	(0.5)
Profit/(loss) after tax	1.6	(2.1)	(0.5)	6.7	(6.8)	(0.1)

In addition to the £0.1m loss above for the nine months ended 31 December 2014, TH Real Estate also incurred establishment costs of £11.3m (Group's share after tax of £4.5m recognised in non-recurring items). During 2015, a £0.3m reduction was made to the Group's share of establishment costs within non-recurring items.

15.3 Interests in unconsolidated structured entities

Group

A reconciliation of AUM reported by the Group to AUM in funds that meet the definition of an unconsolidated structured entity is shown below:

£bn	Total AUM	Less: segregated mandates and investment trusts	Less: consolidated pooled investment funds	Pooled investment funds AUM
31 December 2015	**92.0**	**(25.5)**	**(0.2)**	**66.3**
31 December 2014	81.2	(26.6)	(0.1)	54.5

During the year, the Group recognised gross fee and deferred income of £657.6m (2014: £575.4m) from unconsolidated structured entities in the Consolidated Income Statement.

The Group has the following exposure to unconsolidated structured entities, which equates to the Group's maximum exposure to loss:

£m	Trade debtors	Accrued income	Seed capital investments	Total
31 December 2015	**5.5**	**92.9**	**4.3**	**102.7**
31 December 2014	7.6	127.5	3.5	138.6

16. Property and equipment

Group

	2015 £m	2014 £m
Cost		
At 1 January	**25.0**	32.1
Additions	**1.9**	1.6
Disposals	**–**	(8.8)
Impact of foreign exchange movement	**–**	0.1
At 31 December	**26.9**	25.0
Accumulated depreciation		
At 1 January	**(9.9)**	(15.1)
Charge	**(2.6)**	(2.6)
Disposals	**–**	7.8
At 31 December	**(12.5)**	(9.9)
Net book value at 31 December	**14.4**	15.1

Notes to the financial statements continued

Group and Company continued

17. Fair value of financial instruments

Group

Total financial assets and liabilities

The following table sets out the financial assets and liabilities of the Group:

	Notes	Carrying value 2015 £m	Carrying value 2014 £m	Fair value 2015 £m	Fair value 2014 £m
Financial assets at fair value through profit or loss		**145.7**	35.9	**145.7**	35.9
Financial assets at fair value through profit or loss classified as held for sale	9.2	**–**	71.7	**–**	71.7
Total financial assets at fair value through profit or loss		**145.7**	107.6	**145.7**	107.6
Available-for-sale financial assets		**64.6**	71.0	**64.6**	71.0
Available-for-sale financial assets classified as held for sale	9.2	**–**	4.8	**–**	4.8
Total available-for-sale financial assets		**64.6**	75.8	**64.6**	75.8
Accrued income, OEIC and unit trust debtors, trade debtors and other debtors		**221.4**	267.6	**221.4**	267.6
Cash and cash equivalents	19.1	**381.6**	234.5	**381.6**	234.5
Cash and cash equivalents classified as held for sale	9.2	**–**	8.3	**–**	8.3
Total loans and receivables		**603.0**	510.4	**603.0**	510.4
Total financial assets		**813.3**	693.8	**813.3**	693.8
Debt instrument in issue	20	**149.9**	149.4	**151.4**	157.4
Trade and other payables (excluding deferred income)		**301.0**	300.9	**301.0**	300.9
Total loans and payables carried at amortised cost		**450.9**	450.3	**452.4**	458.3
Financial liabilities at fair value through profit or loss		**119.3**	57.2	**119.3**	57.2
Financial liabilities at fair value through profit or loss classified as held for sale	9.2	**–**	26.0	**–**	26.0
Provisions	22	**11.9**	12.8	**11.9**	12.8
Total financial liabilities at fair value through profit or loss		**131.2**	96.0	**131.2**	96.0
Total financial liabilities		**582.1**	546.3	**583.6**	554.3

Financial assets at fair value through profit or loss mainly consist of seed capital investments, investments and derivatives held in consolidated funds and investments in the Group's fund products which are held, in employee benefit trusts, against outstanding deferred compensation arrangements. Any movement in the fair value of the assets held against deferred compensation liabilities is offset by a corresponding movement in deferred compensation liabilities. Both movements are recognised through the Consolidated Income Statement. Available-for-sale financial assets consist of seed capital investments and investments in consolidated funds.

The Group enters into forward foreign exchange contracts to hedge seed capital investments denominated in foreign currency. Forward foreign exchange contracts are also used to hedge the translation of certain consolidated structured entities. In addition, the Group entered into a number of contracts for difference (CFDs), credit default indices (CDXs), futures and total return swaps (TRSs) to hedge the market movements of specific available-for-sale and fair value through profit or loss financial assets. Current loans and receivables and trade and other payables carried at amortised cost, included in the table above, represent balances mainly settling in a short timeframe, and accordingly, the fair value of these assets and liabilities is considered to be materially equal to their carrying value after taking into account any impairment.

Company

As at 31 December 2015, the Company held financial assets at fair value through profit or loss with a carrying and fair value of £41.7m (2014: £34.6m). These investments are classified as Level 1 and Level 2 using the hierarchy set out on the following page. As at 31 December 2015, the Company held financial liabilities at fair value through profit or loss with a carrying and fair value of £28.2m (2014: £26.1m), which were classified as Level 3 using the hierarchy set out on the following page. During 2015, there were no transfers in to or out of Level 1, Level 2 and Level 3 (2014: £nil).

Group

Fair value hierarchy

The following asset and liability types are carried at fair value after initial recognition.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques where all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and
- Level 3: techniques where inputs which have a significant effect on the recorded fair value that are not based on observable market data. These are predominantly investments in property and private equity funds and valuations are derived by the relevant fund manager teams based on a variety of valuation techniques.

At 31 December 2015

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets				
Financial assets at fair value through profit or loss	145.7	79.0	66.2	0.5
Available-for-sale financial assets	64.6	10.1	15.5	39.0
Total financial assets measured at fair value	**210.3**	**89.1**	**81.7**	**39.5**

At 31 December 2014

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets				
Financial assets at fair value through profit or loss	107.6	98.7	8.9	–
Available-for-sale financial assets	75.8	28.0	–	47.8
Total financial assets measured at fair value	183.4	126.7	8.9	47.8

At 31 December 2015

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial liabilities				
Financial liabilities at fair value through profit or loss	119.3	8.8	5.4	105.1
Provisions	11.9	–	–	11.9
Total financial liabilities measured at fair value	**131.2**	**8.8**	**5.4**	**117.0**

At 31 December 2014

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial liabilities				
Financial liabilities at fair value through profit or loss	83.2	–	–	83.2
Provisions	12.8	–	–	12.8
Total financial liabilities measured at fair value	96.0	–	–	96.0

Level 2 financial liabilities at fair value through profit or loss are derivative instruments related to seed capital investments and investments made by consolidated funds. Level 3 financial liabilities at fair value through profit or loss represent non-controlling interests in consolidated funds, the deferred compensation liabilities which are held against the investments in the Group's fund products, contingent deferred consideration and provisions. With respect to non-controlling interests in consolidated funds, the fair value movements are primarily driven by fair value changes in investments held in these funds. Details of the inputs used to calculate the fair value of contingent deferred consideration and provisions can be found in notes 2.2 and 22 respectively. Sensitivity analysis around likely possible changes to the inputs into the valuations of these liabilities has been performed and resulted in no significant difference to the fair values recognised that, if adjusted for, would impact the profit attributable to owners of the parent. Total financial liabilities measured at fair value and classified as Level 3 have increased by £21.0m in the year to £117.0m as at 31 December 2015. This movement is primarily due to £21.5m additional investment in consolidated funds. The remaining difference reflects the movement in provisions and other items recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income.

Notes to the financial statements continued

Group and Company continued

17. Fair value of financial instruments continued

During 2015, there were no transfers in or out of Level 1, Level 2 and Level 3 (2014: £nil).

The following is a reconciliation of the movements in the Group's financial assets classified as Level 3 during the year:

	2015 £m	2014 £m
Fair value at 1 January	**47.8**	61.4
Additions	**0.5**	1.9
Disposals	**(23.9)**	(22.8)
Movements recognised in the Consolidated Income Statement	**9.9**	–
Transferred from Consolidated Statement of Comprehensive Income to Consolidated Income Statement	**(9.6)**	(0.6)
Fair value movements recognised in the Consolidated Statement of Comprehensive Income	**14.8**	7.9
Fair value at 31 December	**39.5**	47.8

Level 3 investments at 31 December 2015 mainly comprise private equity investments. Private equity investments are valued using a combination of the enterprise value/EBITDA multiple method and the discounted cash flow method. Significant unobservable inputs include long-term revenue growth rates and pre-tax operating margin, taking into account management's experience and knowledge of market conditions of the specific industries. The Group disposed of its Level 3 property investments during 2015. As the fair value measurement of the financial assets included in Level 3 is based on unobservable inputs, a change in one or more underlying assumptions could result in a significant change in fair value. However, due to the numerous different factors affecting the assets, the impact cannot be quantified.

The fair value of the Level 3 financial assets are based on 30 September 2015 valuations. The events between valuation date and reporting date have been considered with respect to the 30 September 2015 valuations and no adjustments were considered necessary.

18. Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Accrued income	**120.6**	147.1	**–**	–
OEIC and unit trust debtors	**77.7**	87.1	**–**	–
Trade debtors	**10.4**	10.0	**–**	–
Other debtors	**12.7**	23.4	**0.1**	0.3
Prepayments	**7.4**	7.6	**–**	–
Deferred acquisition costs	**4.0**	2.0	**–**	–
Amounts owed by subsidiaries	**–**	–	**8.7**	2.3
	232.8	277.2	**8.8**	2.6
Non-current	**0.1**	1.3	**–**	–
Current	**232.7**	275.9	**8.8**	2.6
	232.8	277.2	**8.8**	2.6

19. Cash and cash equivalents

19.1 Cash at bank and in hand and cash equivalents

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Cash at bank and in hand	**308.5**	197.6	**7.2**	7.3
Cash equivalents	**73.1**	36.9	**–**	–
Cash at bank and in hand and cash equivalents	**381.6**	234.5	**7.2**	7.3

Cash and cash equivalents consist of cash at bank, cash in hand and short-term highly liquid government securities or investments in money market instruments with a maturity date of three months or less.

Included within cash and cash equivalents as at 31 December 2015 are £1.7m (2014: £2.1m) of cash at bank and in hand that was held in the Group's manager dealing accounts which represent payments due to and from OEICs and units trusts as a result of client trading, £0.1m (2014: £0.2m) rental guarantee deposits and £27.2m (2014: £4.5m) of cash held by consolidated structured entities. After deducting these restricted cash balances, total unrestricted cash is £352.6m (2014: £227.7m).

19.2 Net cash flows generated from operating activities

Group

	Notes	2015 £m	2014 £m
Net cash flows generated from operating activities			
Profit before tax from total operations		**167.9**	283.4
Adjustments to reconcile profit before tax from total operations to net cash flows generated from operating activities:			
– debt instruments interest expense		**11.3**	11.6
– share-based payment charges		**28.9**	28.8
– intangible amortisation		**59.6**	57.6
– share of (income)/loss from associates and joint ventures		**(0.1)**	0.3
– property and equipment depreciation	16	**2.6**	2.6
– gain on disposal of seed capital investments		**(11.0)**	(3.7)
– loss on disposal of property and equipment		**–**	0.8
– contributions to Group pension schemes in excess of costs recognised		**(5.0)**	(5.5)
– net movements on other provisions		**0.4**	0.1
– other finance charges		**2.7**	1.5
– other finance income		**(0.2)**	–
– seed capital investment impairment		**1.0**	0.6
– gain on sale of associates	7	**(12.4)**	(11.5)
– profit on disposal of Property business before tax and deal and separation costs	9.1	**–**	(148.9)
Net cash flows generated from operating activities before changes in operating assets and liabilities		**245.7**	217.7
Changes in operating assets and liabilities	19.3	**33.5**	(74.7)
Net tax paid		**(9.4)**	(20.0)
Net cash flows generated from operating activities		**269.8**	123.0

Included within net cash flows generated from operating activities are cash outflows relating to non-recurring items of £2.5m (2014: £11.3m).

19.3 Changes in operating assets and liabilities

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Changes in OEIC and unit trust debtors and creditors	**(0.1)**	(9.7)	**–**	–
Decrease/(increase) in other assets	**29.6**	(31.5)	**(13.3)**	(18.5)
Increase/(decrease) in provisions and other liabilities	**4.0**	(33.5)	**(75.9)**	40.2
Changes in operating assets and liabilities	**33.5**	(74.7)	**(89.2)**	21.7

20. Debt instrument in issue

Group

	2015 Carrying value £m	2015 Fair value £m	2014 Carrying value £m	2014 Fair value £m
Senior, unrated fixed rate notes due 24 March 2016 (2016 Notes)	**149.9**	**151.4**	149.4	157.4

On 24 March 2011, the Group issued, at par, £150.0m of 2016 Notes which are listed on the LSE, unsecured, unrated, repayable in full on 24 March 2016 and bear interest at a fixed rate of 7.25% per annum payable six monthly. The fair value of the 2016 Notes has been obtained applying a Level 1 valuation technique.

Notes to the financial statements continued

Group and Company continued

21. Retirement benefits

Group

21.1 Characteristics and risks associated with the retirement benefit plans

The main defined benefit pension plan sponsored by the Group is the defined benefit section of Henderson Group Pension Scheme (HGPS), which closed to new members on 15 November 1999. The sponsor and principal employer of the HGPS is HGI Group Limited and the participating company is Henderson Administration Limited. The appointed investment manager for the final salary scheme is Henderson Global Investors Limited. The HGPS is funded by contributions to a separately administered fund. The actuarial advisers to the HGPS are Towers Watson.

Benefits in the HGPS are based on service and final salary. The plan is approved by HMRC for tax purposes, and is operated separately from the Group and managed by an independent Trustee board. The Trustee is responsible for payment of the benefits and management of the HGPS assets.

The HGPS is subject to UK regulations, which require the Group and Trustee to agree a funding strategy and contribution schedule for the scheme.

The triennial valuation of the HGPS as at 31 December 2011, carried out by the Trustee's independent actuarial advisers, revealed a surplus of £10.0m on a technical provisions basis. The triennial valuation as at 31 December 2014 is currently being carried out. To the extent that future valuations reveal a funding deficit, additional contributions may be required from the Group.

The Group also has a contractual obligation to provide certain members of the HGPS with additional defined benefits on an unfunded basis.

The valuation of the HGPS under IAS 19 Employee Benefits is based on full membership data as at 31 December 2011 and updated to the accounting date by an independent actuary in accordance with IAS 19. The HGPS assets are stated at their fair values as at 31 December 2015.

The Group expects to contribute approximately £7.5m to the HGPS in the year ending 31 December 2016 (defined benefit and money purchase sections) based on the triennial valuation as at 31 December 2011. Benefits paid via the unfunded arrangements are paid directly by the Group and are expected to be £0.1m in 2016.

As with the vast majority of similar arrangements in the United Kingdom, the Group ultimately underwrites the risks relating to these defined benefit plans. These risks include investment risks and demographic risks, such as the risk of members living longer than expected.

21.2 Amounts recognised in the financial statements

Retirement benefit assets and obligations recognised in the Consolidated Statement of Financial Position

	2015 £m	2014 £m
Retirement benefit assets recognised in the Consolidated Statement of Financial Position		
Henderson Group Pension Scheme	**130.0**	128.1
Retirement benefit obligations recognised in the Consolidated Statement of Financial Position		
Henderson Group unapproved pension scheme	**(8.1)**	(8.5)
Net retirement benefit asset recognised in the Consolidated Statement of Financial Position	**121.9**	119.6

Pension service cost recognised in the Consolidated Income Statement

	2015 £m	2014 £m
Charges/(credits) relating to defined benefit and unapproved schemes		
Administration costs	**0.9**	0.8
Current service cost	**1.0**	1.1
Net interest credit	**(4.8)**	(4.5)
	(2.9)	(2.6)
Contributions to money purchase members' accounts	**5.3**	5.1
Net charge to the Consolidated Income Statement	**2.4**	2.5

Actuarial (losses)/gains recognised in the Consolidated Statement of Comprehensive Income

	2015 £m	2014 £m
Actuarial (losses)/gains	(1.2)	29.4
Tax at source	(1.7)	(11.8)
Net (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	(2.9)	17.6

Reconciliation of present value of defined benefit obligations

	2015 £m	2014 £m
At 1 January	479.4	414.9
Current service cost	1.0	1.1
Interest cost	16.9	18.4
Actuarial (gains)/losses arising from:		
– experience	(3.8)	(3.8)
– changes in financial assumptions	(15.6)	62.7
Benefit payments	(20.4)	(13.9)
At 31 December	457.5	479.4

Reconciliation of fair value of defined benefit scheme assets

	2015 £m	2014 £m
At 1 January	613.0	513.6
Interest credit	21.7	22.9
Administration costs	(0.9)	(0.8)
Actuarial (losses)/gains arising from scheme assets	(20.6)	88.3
Contributions	2.1	2.8
Benefit payments	(20.2)	(13.8)
At 31 December	595.1	613.0

Net retirement benefit asset recognised in the Consolidated Statement of Financial Position

	2015 £m	2014 £m
Present value of defined benefit obligations	(457.5)	(479.4)
Fair value of defined benefit scheme assets	595.1	613.0
Tax at source	(15.7)	(14.0)
At 31 December	121.9	119.6

Pension scheme assets

The major categories of assets in the HGPS are as follows:

	2015 £m	2014 £m
Growth portfolio		
– infrastructure	-	5.5
– diversified growth	129.9	125.7
Bond assets	435.5	452.0
Buy and maintain credit fund	28.4	28.4
Cash and cash equivalents	1.3	1.4
At 31 December	595.1	613.0

The assets of the HGPS are allocated to a growth portfolio and bond assets. The majority of the growth portfolio is invested in pooled diversified funds, with the objective of achieving a level of growth greater than the bond portfolio. The bond portfolio is managed on a segregated basis, with the primary objective of meeting the cash flows as they mature.

The current strategic allocation is broadly 25% growth assets and 75% bond assets. For strategic purposes, the buy and maintain credit fund is split evenly between a growth portfolio and bond assets. The Trustee intends to increase the allocation to bond assets as the funding level of the HGPS (calculated on a 'self-sufficiency' basis) improves. All of the HGPS assets are quoted in active markets.

Notes to the financial statements continued

Group and Company continued

21.3 Actuarial assumptions

Financial assumptions

For the purpose of the following disclosures, the retirement benefit arrangements have been combined on the grounds of materiality:

	2015 % per annum	2014 % per annum
Discount rate	3.8	3.6
Rate of increase in pensionable salaries	2.5	2.5
Inflation (RPI)	3.0	3.1
Inflation (CPI)	2.0	2.1
Post-retirement mortality (expectancy of life):	years	years
Male currently aged 60	28.5	28.3
Female currently aged 60	30.0	29.3
Male aged 60 in 15 years	30.0	29.7
Female aged 60 in 15 years	31.5	31.3

Amount, timing and uncertainty of future cash flows

The approximate impact of changing these main assumptions on the defined benefit obligation at 31 December 2015 is as follows:

- reducing the discount rate by 0.1% per annum would increase the IAS 19 defined benefit obligation by £9.0m (2014: £9.0m);
- increasing RPI inflation by 0.1% per annum would increase the IAS 19 defined benefit obligation by £3.0m (2014: £3.0m); and
- increasing the life expectancy of members by one year would increase the IAS 19 defined benefit obligation by £14.0m (2014: £14.0m).

There would also be an impact on the current service cost, but given the small active population in these plans this is likely to be immaterial.

The above sensitivity analysis may not be representative of the actual change, as in practice the changes in assumptions may not occur in isolation. The weighted average duration of the defined benefit obligations is approximately 19 years (2014: 20 years).

22. Provisions

Group

	Void properties £m	Other £m	Total £m
At 1 January 2015	11.6	1.2	12.8
Additions	–	0.4	0.4
Finance charge	0.7	–	0.7
Utilised	(2.0)	–	(2.0)
At 31 December 2015	**10.3**	**1.6**	**11.9**
Non-current	8.8	1.2	10.0
Current	1.5	0.4	1.9
At 31 December 2015	**10.3**	**1.6**	**11.9**

Void properties

The void properties provision reflects the net present value of the excess of lease rentals and other payments on New Star and Gartmore properties with onerous contracts, over the amounts expected to be recovered from subletting these properties. The discounting of expected cash flows will be unwound during the term of the underlying leases (maximum of 10 years) as a void property finance charge to the Consolidated Income Statement.

Other

Other provisions relate to issues which have arisen as a result of litigation and obligations during the course of the Group's business activities.

All provisions reflect the Group's current estimates of amounts and timings.

23. Deferred tax

Group

Deferred tax assets/(liabilities) recognised by the Group and movements therein are as follows:

	Accelerated capital allowances £m	Retirement benefits £m	Intangible assets £m	Compensation plans £m	Other temporary differences £m	Total £m
At 1 January 2014	1.8	(18.3)	(29.3)	26.7	9.0	(10.1)
Reclassification	–	–	–	1.5	(1.5)	–
Acquisitions through business combinations	–	–	0.1	–	–	0.1
(Charge)/credit to the Consolidated Income Statement	(0.8)	(0.2)	10.6	7.3	(5.1)	11.8
Credit to the Consolidated Statement of Comprehensive Income	–	0.1	–	–	0.1	0.2
Charge to the Consolidated Statement of Changes in Equity	–	–	–	(4.8)	–	(4.8)
Impact of foreign exchange movement	–	–	–	–	(0.1)	(0.1)
At 31 December 2014	1.0	(18.4)	(18.6)	30.7	2.4	(2.9)
Acquisitions through business combinations	–	–	(4.8)	–	–	(4.8)
(Charge)/credit to the Consolidated Income Statement	(0.4)	1.8	10.6	(2.6)	0.7	10.1
Charge to the Consolidated Statement of Comprehensive Income	–	(0.1)	–	–	–	(0.1)
Credit to the Consolidated Statement of Changes in Equity	–	–	–	3.7	–	3.7
Impact of foreign exchange movement	–	–	(0.4)	–	0.3	(0.1)
At 31 December 2015	**0.6**	**(16.7)**	**(13.2)**	**31.8**	**3.4**	**5.9**

Deferred tax assets and liabilities in the above summary represent gross assets and liabilities as follows:

	Assets £m	Liabilities £m	Total £m
At 31 December 2014	36.0	(38.9)	(2.9)
At 31 December 2015	**37.5**	**(31.6)**	**5.9**

The future reduction in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and then to 18% with effect from 1 April 2020 was substantively enacted in 2015. These tax rate changes have resulted in a reduction of the Group's deferred tax assets and deferred tax liabilities of £3.0m and £1.9m respectively.

At the reporting date, the Group has unused capital losses in respect of which no deferred tax has been recognised as utilisation of the capital losses is dependent on future taxable capital gains. The unrecognised deferred tax asset in respect of capital losses carried forward is £14.1m (2014: £10.9m), of which £0.7m (2014: £0.5m) will expire in three years (2014: four years) if unused. The remaining capital losses have no expiry date.

At the reporting date, the Group has, in respect of losses and other temporary differences, a deferred tax asset which has not been recognised of £1.4m (2014: £6.9m). The asset has not been recognised as the timing of its realisation remains uncertain or its use is dependent on the existence of future taxable profits against which the tax losses and other temporary differences can be utilised. The tax losses and other temporary differences have no expiry date.

Deferred tax is not recognised in respect of taxable temporary differences associated with the Group's investments in overseas subsidiaries, branches, associates and joint ventures where the Group controls the timing of the reversal of the temporary differences and where the reversal of the temporary differences is not anticipated in the foreseeable future (2014: £nil).

Notes to the financial statements continued

Group and Company continued

24. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
OEIC and unit trust creditors	**77.7**	87.2	**–**	–
Other creditors	**11.6**	11.5	**0.9**	3.0
Accruals	**211.7**	202.2	**0.2**	0.2
Deferred income	**1.0**	2.5	**–**	–
Amounts owed to subsidiaries	**–**	–	**20.1**	125.9
	302.0	303.4	**21.2**	129.1
Non-current	**10.7**	13.2	**–**	–
Current	**291.3**	290.2	**21.2**	129.1
	302.0	303.4	**21.2**	129.1

25. Share capital

Group and Company

25.1 Authorised share capital

	2015 £m	2014 £m
2,194,910,776 (2014: 2,194,910,776) ordinary shares of 12.5 pence each	**274.4**	274.4

25.2 Allotted share capital

Allotted, called up and fully paid equity shares:

Shares in issue	no.	£m
At 1 January 2014	1,123,422,286	140.4
Issue of shares for share schemes	15,744,909	2.0
At 31 December 2014	1,139,167,195	142.4
Issue of shares for share schemes	1,687,715	0.2
Cancellation of shares	(9,012,801)	(1.1)
At 31 December 2015	**1,131,842,109**	**141.5**

During the year, the Company purchased and cancelled 9.0m shares at a cost of £25.0m through a share buyback programme.

All ordinary shares in issue carry the same rights to receive dividends and other distributions declared, made or paid by the Company.

The Directors consider equity attributable to owners of the parent to represent Group capital. The Directors manage the Group's capital structure on an ongoing basis. Changes to the Group's capital structure can be affected by adjusting the dividend policy, returning capital to shareholders or issuing new shares and other forms of capital.

26. Reserves

Group and Company

The Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity provide details of movements in equity for the Group and Company respectively.

Nature and purpose of reserves

Share premium

Share premium records the difference between the nominal value of shares issued and the full value of the consideration received or the market price on the day of issue.

Own shares held

Total own shares held had a cost of £106.9m (2014: £94.7m) and a market value of £143.3m (2014: £103.8m) as at 31 December 2015 and constituted 4.1% (2014: 4.3%) of the Company's issued share capital as at that date.

	2015 no. of shares	2014 no. of shares
Henderson Employee Trust 2000	**2,115,862**	316,941
HHG plc Employee Trust 2004	**10,000**	60,000
Henderson Employee Trust 2009	**27,826,741**	28,656,728
Henderson Group plc Employee Trust 2009	**12,180,438**	15,603,766
ACS HR Solutions UK Limited	**1,119,140**	931,116
Henderson Employee Share Ownership Trust	**3,035,913**	2,933,747
	46,288,094	48,502,298

The above trusts are used by the Group to operate the share-based compensation schemes as set out in note 11.

Shares are distributed to employees as and when they vest or the holding period ends, in line with the terms of each scheme, under the administration of the trustees. ACS HR Solutions Share Plan Services (Guernsey) Limited, a Xerox Company, administers all of the above trusts.

Translation reserve

The translation reserve comprises differences on exchange arising from the translation of subsidiaries, whose functional currency is not GBP to period end rates.

The translation reserve also includes unrealised foreign exchange gains and losses on 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 translation reserve are recycled out and the cumulative amount of the gain or loss is recognised in the Consolidated Income Statement.

Revaluation reserve

The revaluation reserve comprises the amount of any unrealised gain or loss recognised in the Consolidated 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 Consolidated Income Statement.

Profit and loss reserve

The profit and loss reserve comprises:

- results recognised through the Consolidated and Company Income Statement;
- actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income, net of tax;
- dividends paid to equity shareholders;
- transactions relating to share-based payments; and
- amounts paid in excess of the nominal value of the Company's shares under the share buyback programme.

27. Financial risk management

Financial risk management objectives and policies

Financial assets principally comprise investments in equity securities, fixed income investments, short-term investments, trade and other receivables and cash and cash equivalents. Financial liabilities comprise borrowings for financing purposes, trade and other payables, non-controlling interests in consolidated funds, deferred consideration on business combinations and provisions. The main risks arising from financial instruments are price, interest rate, liquidity, foreign currency and credit. Each of these risks is examined in detail below. The Group monitors financial risks on a consolidated basis and intra-group balances are settled when it is deemed appropriate for both parties to the transaction. The Company is not exposed to material financial risk and separate disclosures for the Company have not been included.

The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate for a listed company. The management of risk within the Group is governed by the Board and overseen by the Board Risk Committee.

Notes to the financial statements continued

Group and Company continued

27.1 Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group.

The Group is exposed to price risk in respect of its direct investment in seed capital investments in Group funds (being available-for-sale financial assets, financial assets at fair value through profit or loss and held for sale assets) and consolidated structured entities. Seed capital investments vary in duration, depending on the nature of the investment, with a typical range of one year to three years for equity, fixed income and multi-asset products and approximately seven years for private equity and property products. The total market value of the Group's direct investment in seed capital investments at 31 December 2015, was £117.3m (2014: £116.4m including those designated as held for sale).

Management monitors exposures to price risk on an ongoing basis. Significant movements in investment values are monitored on a daily basis. Where appropriate, management will hedge price risk. At 31 December 2015, investments with a market value of £96.7m (2014: £80.0m) were hedged against price risk through the use of CFDs, CDXs, futures and TRSs.

Price risk sensitivity analysis on seed capital investments

	2015		2014	
	Consolidated Income Statement £m	**Consolidated Statement of Comprehensive Income £m**	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
Market value movement +/- 10%	**–**	**4.3**	–	3.6

27.2 Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest rates, either through a mismatch of interest-bearing assets and liabilities, or through the effect such movements have on the value of interest-bearing instruments.

The Group is exposed to interest rates on banking deposits held in the ordinary course of business. However, likely possible movements in interest rates on the Group's bank accounts do not cause a material difference to the Consolidated Income Statement. Seed capital investments are not currently exposed to interest rate risk. This exposure is monitored by management on a continuous basis.

27.3 Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due.

Group liquidity is managed on a daily basis by the Group's Finance function, to ensure that the Group has sufficient cash or highly liquid assets available to meet its liabilities. Finance also controls and monitors the use of the Group's non-operating capital resources. It is the Group's policy to ensure that it has access to funds to cover all forecast commitments for at least the next 12 months.

The maturity dates of the Group's financial liabilities and obligations, including those classified as held for sale, are as follows:

At 31 December 2015

	Within 1 year or repayable on demand £m	Within 2-5 years £m	After 5 years £m	Total £m	Carrying value in the Consolidated Statement of Financial Position £m
Debt instrument in issue (including interest)	155.4	–	–	155.4	152.9
Trade and other payables (excluding deferred income and accrued debt interest)	287.3	10.7	–	298.0	298.0
Financial liabilities at fair value through profit or loss	98.0	26.5	–	124.5	119.3
Provisions	2.6	6.6	2.7	11.9	11.9
	543.3	**43.8**	**2.7**	**589.8**	**582.1**

At 31 December 2014

	Within 1 year or repayable on demand £m	Within 2-5 years £m	After 5 years £m	Total £m	Carrying value in the Consolidated Statement of Financial Position £m
Debt instrument in issue (including interest)	10.9	155.4	–	166.3	152.4
Trade and other payables (excluding deferred income and accrued debt interest)	286.5	11.4	–	297.9	297.9
Financial liabilities at fair value through profit or loss	52.1	35.8	1.9	89.8	83.2
Provisions	3.4	8.0	3.4	14.8	12.8
	352.9	**210.6**	**5.3**	**568.8**	**546.3**

27.4 Foreign currency risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in foreign currency exchange rates.

The Group is exposed to foreign currency risk through its exposure to non-GBP income, expenses, assets and liabilities of its overseas subsidiaries as well as net assets and liabilities denominated in a currency other than GBP. The currency exposure is managed by monitoring foreign currency positions. The Group uses forward foreign currency contracts to reduce or eliminate the currency exposure on certain individual transactions. The Group also seeks to use natural hedges to reduce exposure. Where there is a mismatch on material currency flows and the timing is reasonably certain, they are actively hedged. Where there is insufficient certainty, the currency is translated back into GBP on receipt. Foreign currency risk management is overseen by the Hedge Committee.

A rolling programme of forward foreign currency contracts has been implemented to hedge the currency exposures arising from certain seed capital investments (being available-for-sale financial assets and financial assets at fair value through profit or loss) and consolidated structured entities with a year end notional value of USD130.0m, EUR7.7m and A$38.3m (2014: USD80.2m, EUR10.9m and A$30.0m).

Foreign currency risk sensitivity analysis

Fund related investments are either denominated in GBP or hedged back to GBP using forward foreign currency contracts based on the Group's hedging policy. In addition, there are unhedged foreign currency cash balances and net trading receipts in subsidiaries of the Group.

The table below illustrates the impact of adjusting year end exchange rates on all unhedged financial assets and liabilities, including those classified as held for sale, denominated in currencies material to the Group other than GBP:

Foreign currency sensitivity analysis

	2015		2014	
	Consolidated Income Statement £m	**Consolidated Statement of Comprehensive Income £m**	Consolidated Income Statement £m	Consolidated Statement of Comprehensive Income £m
US dollar +/- 10%	**2.5**	**3.8**	0.7	0.6
Singaporean dollar +/- 10%	**0.4**	**0.9**	2.1	1.0
Australian dollar +/- 10%	**1.0**	**0.1**	0.7	0.2
Japanese yen +/- 10%	**0.2**	**0.3**	0.1	0.1
Euro +/- 10%	**2.9**	**1.5**	3.3	3.8

Notes to the financial statements continued

Group and Company continued

27.5 Credit risk

Credit risk is the risk of a counterparty of the Group defaulting on funds deposited with it or the non-receipt of a trade debt.

The Group has an established credit policy to ensure that it only transacts with counterparties that are able to meet satisfactory rating requirements. Counterparty limits are reviewed and set centrally by the Credit Risk Committee. Management is responsible for ensuring that it remains within these limits and the Risk function monitors and reports any exceptions to the policy. Other than as part of the wind-down of private equity (£3.3m), the Group has not suffered any losses as a result of trade debtor or counterparty defaults during the year (2014: £nil).

The Risk function is also responsible for reporting credit exposures to the Board Risk Committee on a quarterly basis and for ensuring that any credit concerns are raised and actions taken to mitigate risks.

The table below contains an analysis of current and overdue trade debtors, including those classified as held for sale. All other financial assets are not past due.

At 31 December 2015

	Not past due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Greater than 12 months past due £m	Total £m
Accrued income, OEIC and unit trust debtors, trade debtors and other debtors	**211.0**	**9.1**	**–**	**0.7**	**0.6**	**221.4**

At 31 December 2014

	Not past due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Greater than 12 months past due £m	Total £m
Accrued income, OEIC and unit trust debtors, trade debtors and other debtors	258.8	2.4	1.4	4.9	0.1	267.6

Included within financial assets is £nil (2014: £45.1m) due from a single fund where the Group has a priority call on assets.

The table below contains an analysis of cash and cash equivalents, including balances classified as held for sale, as rated by Fitch Ratings.

All other financial assets of the Group are generally not rated.

At 31 December 2015

	AAA £m	AA £m	A £m	BBB/ not rated £m	Total £m
Cash and cash equivalents	**78.0**	**193.1**	**96.2**	**14.3**	**381.6**

At 31 December 2014

	AAA £m	AA £m	A £m	BBB/ not rated £m	Total £m
Cash and cash equivalents	36.9	125.6	80.1	0.2	242.8

28. Leases

Group

Operating leases

The Group is party to property leases in the UK and internationally. A 20.5 year operating lease was entered into during 2008 on 201 Bishopsgate, London, which provides for reviews to open market rent on every fifth anniversary of the lease and provided an initial rent-free period of 30 months. The rental expense on this lease is being recognised on a straight-line basis over the lease period.

On acquisition of New Star and Gartmore, the Group became party to three further UK material operating leases. These are in relation to 1 Knightsbridge Green, London, 8 Lancelot Place, London and Rex House, Queen Street, London. At the reporting date, the leases run for a period of nine months, seven years and 10 years respectively. A void properties provision has been recognised for these leases at the net present value of the net expected future cash outflows (refer to note 22). The Group also has property leases in Australia, Singapore and the USA.

The future minimum lease payments under non-cancellable operating leases fall due as follows:

	2015 £m	2014 £m
Within one year	16.1	15.1
In two to five years inclusive	56.8	52.9
After five years	72.8	84.0
Total	145.7	152.0

The total future minimum sublease payments expected to be received under non-cancellable subleases within one year at the reporting date, were £7.0m (2014: £6.1m).

29. Capital commitments

Group and Company

The amounts of capital expenditure contracted for but not provided for in the financial statements at 31 December 2015 amounted to £nil (2014: £nil).

30. Related party transactions

Company

Details of transactions between the Company and its controlled entities, which are related parties, together with amounts due from and to these related parties at the reporting date, are disclosed below:

	Notes	2015 £m	2014 £m
Transactions with related parties during the year			
Movements in capital contributions to indirect subsidiary companies		(1.0)	28.8
Dividends received		277.0	98.4
Net settlement of balances with subsidiary companies		(112.2)	24.2
Amounts owed by/(to) related parties at 31 December			
Amounts owed by subsidiary companies	18	8.7	2.3
Amounts owed to subsidiary companies	24	(20.1)	(125.9)

Group

Disclosures relating to investments accounted for using the equity method and Group pension schemes are covered under notes 15.2 and 21 respectively. Transactions between the Company and its controlled subsidiaries and between controlled subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Notes to the financial statements continued

Group and Company continued

30. Related party transactions continued

Compensation of key management personnel (including Directors)

The aggregate annual remuneration of Executive Committee members and all Directors, representing key management personnel, is disclosed below for 2015 (all Code Staff were classified as key management personnel in 2014. The remuneration of the additional staff members disclosed in 2014 amounted to £2.3m):

	2015 £m	2014 £m
Short-term employee benefits	14.2	15.0
Post-employment benefits	0.3	0.4
Share-based payments	15.5	5.9
	30.0	21.3

Share-based payments attributable to key management personnel are calculated based on the value of awards that have vested in the year.

As at 31 December 2015, there were 8.9m unvested £nil cost options (2014: 11.3m) and 7.0m unvested £nil cost shares outstanding (2014: 2.2m) for this population. In addition, the value of unvested units held in funds at 31 December 2015 was £3.6m (2014: £2.7m).

31. Contingent liabilities

Group

The following contingent liabilities existed or may exist at 31 December 2015:

- In the normal course of business, the Group is exposed to certain legal or tax matters, which could involve litigation and arbitration, and may result in contingent liabilities;
- Under the Implementation Agreement dated 6 July 2010 relating to the transfer of management responsibilities to Aviva Investors for the Henderson International Property Fund, the Group gave certain tax related warranties for a period of six years from the date of the agreement. These warranties are subject to certain exclusions and limitations, including a financial cap;
- Under the Facilitation Agreement dated 8 December 2010 relating to the merger of the assets of the Henderson Liquid Assets Fund (HLAF) into the Deutsche Managed Sterling Fund, the Group gave: (a) certain tax warranties relating to HLAF; and (b) indemnities against certain losses arising from liabilities of HLAF existing prior to the effective date of the merger, certain warranted statements being untrue and any miscalculation of the net asset value of HLAF in the period prior to the effective date of the merger. These warranties and indemnities are subject to certain exclusions and limitations, including a financial cap. The warranties relating to taxation will expire on 28 February 2018 and the indemnities will expire on 28 February 2017;
- Under the Share Purchase Agreement dated 13 May 2011 relating to the sale of the entire issued share capital of WorldInvest Management Ltd. to Connor, Clark & Lunn UK Limited (CC&L), the Group gave an indemnity against losses suffered by CC&L arising from prior acts, omissions, liabilities or obligations of New Star Institutional Managers Limited that do not relate to its business, with no expiry date;
- Under the Share Sale Agreement dated 1 November 2011 relating to the sale of the entire issued share capital of Gartmore JV Limited to Hermes Fund Managers Limited, the Group gave an indemnity against any liabilities of Gartmore JV Limited existing prior to, or arising as a result of, completion of the sale, subject to certain exceptions. The indemnity is subject to certain exclusions and limitations, including a financial cap, with no expiry date;
- Under the Joint Venture and Shareholder Agreement dated 17 May 2012 with Sesame Bankhall Group Limited (Sesame) relating to Optimum Investment Management Limited (OIML) which acts as authorised corporate director of an OEIC, the Group gave to: (a) Sesame and OIML, certain warranties relating to OIML; and (b) OIML, certain indemnities in respect of losses that may be suffered by OIML and which arise from acts, omissions or circumstances occurring prior to completion of that agreement. Those warranties and indemnities are subject to certain exclusions and limitations and will expire on 17 May 2019;
- Under the Implementation Agreement dated 24 June 2013 relating to the contribution of the Henderson property business outside North America (non-US Property Business) to a joint venture company (named TIAA Henderson Real Estate Limited) with TIAA-CREF Asset Management Inc., the Group gave: (a) certain warranties and tax covenants relating to itself and the non-US Property Business; and (b) certain indemnities against (i) certain losses that may be incurred by certain companies prior to completion of the transaction or that may arise as a result of completion, (ii) certain undertakings being breached and (iii) stamp duty being incurred in connection with the transfer of shares in certain companies to be transferred to the joint venture. These warranties, covenants and indemnities are subject to certain exclusions and limitations, including (other than in relation to certain of the indemnities referred to in (b)(i) above) a financial cap. The warranties relating to matters other than taxation have expired and no claims have been notified that the Group considers likely to give rise to a liability. The tax warranties and tax covenant will expire on the seventh anniversary of completion of the transaction;

- Under the Asset Purchase Agreement dated 24 June 2013 relating to the sale and purchase of the Henderson property business in North America (US Property Business) to Teachers Insurance and Annuity Association of America (TIAA), the Group gave an indemnity (with no express expiry date) against certain losses that may arise from (i) any liabilities specifically excluded from the transaction, (ii) all taxes of the Group not relating to the US Property Business and any pre-completion taxes and (iii) certain employee related liabilities other than any that may be assumed by TIAA under the Asset Purchase Agreement;
- Under the terms of the Gartmore Pension Scheme wind-up, the indemnity provided by the Group to the Trustee, covering all liabilities and expenses incurred by the Trustee, including actions against it, will continue for 12 years after the signing of the deed of termination on 10 February 2014;
- Under the Share Sale Agreement dated 30 April 2014, and completed on 1 December 2014, relating to the acquisition of Henderson Global Investors (Holdings) Limited's 50% shareholding in Intrinsic Cirilium Investment Company Limited (ICICL) by its joint venture partner, Intrinsic Financial Services Limited, the Group provided certain warranties relating to its shareholding and the conduct of ICICL during the period for which it was a joint venture company and indemnified ICICL for (a) 39.7% of losses suffered post completion relating to its conduct during this period; and (b) all losses arising to it relating to the period before it became a joint venture company. The warranties (other than certain fundamental warranties) are subject to certain exclusions and limitations including a financial cap and will expire 18 months following completion; and
- Under the Share Sale Agreement dated 28 April 2015 relating to the acquisition by entities controlled by TIAA-CREF of Henderson Global Investors (Holdings) Limited's remaining 40% shareholding in TIAA Henderson Real Estate Limited, the Group gave certain warranties relating to itself and its shareholding in TIAA Henderson Real Estate Limited. These warranties are subject to certain exclusions and limitations (including a financial cap) and will expire on 1 June 2017.

As at the date of approval of the 2015 financial statements, the Group and Company neither foresee nor have they been notified of any material claims under outstanding warranties and indemnities from the above-mentioned agreements.

Notes to the financial statements continued

Group and Company continued

32. Movements in controlled entities

Group

32.1 Acquisitions

Acquisition of Perennial Fixed Interest Partners Pty Ltd (PFI) and Perennial Growth Management Pty Ltd (PGM)

On 1 November 2015, the Group acquired the entire issued share capital of PFI and PGM (together Perennial). This acquisition will allow the Group to continue its strategy to grow and globalise and to leverage the distribution platforms on which Perennial funds are included for other Group products. These benefits are reflected in the value of the goodwill recognised.

The Group made an initial cash payment of A$76.5m (£35.3m). Contingent deferred consideration that meets the definition of consideration for the business, payable over four years if revenue retention and growth targets are achieved, is also potentially payable. The gross amount of deferred consideration potentially payable will be between A$nil and A$15.0m (£nil and £6.9m).

	2015 £m
Cash	35.3
Present value of contingent deferred consideration	0.4
Total consideration	**35.7**
Less:	
Assets recognised in completion balance sheet (including £0.6m of cash)	0.7
Investment management contracts (IMCs) recognised on consolidation	16.1
	16.8
Residual goodwill balance recognised before deferred tax	18.9
Deferred tax on IMCs recognised on consolidation	4.8
Goodwill recognised	**23.7**

Perennial contributed income and profit after tax of £2.0m and £0.6m respectively between the acquisition date and 31 December 2015. Had Perennial been acquired on 1 January 2015, the business would have contributed income and profit after tax of £12.1m and £3.5m respectively to the 2015 Consolidated Income Statement.

Contingent payments linked to the continuing employment of the sellers will be recognised through the Consolidated Income Statement over the period of the earn-out as an acquisition related charge.

The goodwill recognised is not deductible for tax purposes.

Due to the close proximity of the transaction to the reporting date, the accounting entries are provisional. However, the initial figures recognised are not expected to materially change.

Acquisition of 90 West Asset Management Limited (90 West)

On 29 May 2015, the Group acquired the remaining 58.6% of the shares of 90 West. The acquisition of 90 West will enable the Group to fully benefit from the pipeline of new business the Group and 90 West created together, this being the main driver of the goodwill recognised. 90 West was previously equity accounted for as an associate and has now been fully consolidated. The total cost of the acquisition recognised is A$12.2m (£6.1m) comprising: an upfront payment of A$4.3m (£2.2m); deferred consideration of A$2.8m (£1.4m); and the fair value of the Group's previously held 41.4% interest at A$5.1m (£2.5m). Contingent payments linked to the continuing employment of the sellers will be recognised through the Consolidated Income Statement over the period of the earn-out as an acquisition related charge. The consideration of A$12.2m (£6.1m) less net assets acquired of A$0.7m (£0.3m) has been recognised as goodwill.

32.2 Disposals

On 27 January 2015, the Group disposed of its controlling interest in the following entity:

- Anglo-Sino Henderson Investment Consultancy (Beijing) Co Ltd.

33. Events after the reporting date

Group

The Board had not, as at 10 February 2016, being the date the financial statements were approved, received any information concerning significant conditions in existence at the reporting date, which has not been reflected in the financial statements as presented. The Board has, however, given due regard to the event described below which occurred after the reporting date.

On 10 February 2016, the Group entered into a revolving credit facility for £30.0m. Currently, there are no amounts drawn down.

34. Subsidiaries of the Group

Group

The subsidiaries of the Group are as follows:

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2015	Principal activity
Advizas Limited	UK	GBP	100%	Company in liquidation
Alphagen Capital Limited	UK	GBP	100%	Investment management services
Asset Management Holdings	UK	GBP	100%	Company in liquidation
CLOF II UK Limited	UK	GBP	100%	Investment holding company
Gartmore Capital Management Limited	UK	GBP	100%	Company in liquidation
Gartmore Group Limited	Cayman Islands	GBP	100%	Holding company
Gartmore Investment Limited	UK	GBP	100%	Investment management services
Gartmore Investment Management Limited	UK	GBP	100%	Holding company
Gartmore Investment Services GmbH	Germany	EUR	100%	Company in liquidation
Gartmore Investment Services Limited	UK	GBP	100%	Holding company
Gartmore Securities Limited	UK	GBP	100%	Company in liquidation
Gartmore Services Limited	Jersey	GBP	100%	Professional services
Gartmore US Limited	UK	GBP	100%	Company in liquidation
Geneva Capital Management LLC	USA	USD	100%	Investment management services
Gibran Securities Pty Limited	Australia	AUD	100%	Holding company
G.I.L. Nominees Limited	UK	GBP	100%	Dormant company
H3 Global Advisors Limited	UK	GBP	100%	Company in liquidation
H3 Global Advisors Pty Limited	Australia	AUD	100%	Investment management services
Henderson Administration Limited	UK	GBP	100%	Administrative services
Henderson AE Pty Limited	Australia	AUD	100%	Investment management services
Henderson AFI Pty Limited	Australia	AUD	100%	Investment management services
Henderson Alternative Investment Advisor Limited	UK	GBP	100%	Holding company
Henderson Asset Management Limited	UK	GBP	100%	Holding company
Henderson (Bull Ring) Limited	UK	GBP	100%	Company in liquidation
Henderson Equity Holdings LLC	USA	USD	100%	Holding company
Henderson Equity Partners (GP) Limited	UK	GBP	100%	General partner
Henderson Equity Partners Funds Limited	Jersey	GBP	100%	Investment holding company
Henderson Equity Partners India Private Limited	India	INR	100%	Investment management services
Henderson Equity Partners Jersey (GP) Limited	Jersey	GBP	100%	General partner
Henderson Equity Partners Limited	UK	GBP	100%	Investment management services
Henderson Finances	UK	GBP	100%	Holding company
Henderson Fund Management (Luxembourg) SA	Luxembourg	EUR	100%	Company in liquidation
Henderson Fund Management Limited	UK	GBP	100%	Investment management services
Henderson Global Group Limited	Ireland	GBP	100%	Holding company
Henderson Global Investors (Australia) Funds Management Limited	Australia	AUD	100%	Investment management services
Henderson Global Investors (Australia) Institutional Funds Management Limited	Australia	AUD	100%	Investment management services
Henderson Global Investors (Australia) Limited	Australia	AUD	100%	Administrative services
Henderson Global Investors (Brand Management) Sarl	Luxembourg	GBP	100%	Intellectual property
Henderson Global Investors (Holdings) Limited	UK	GBP	100%	Holding company
Henderson Global Investors (Hong Kong) Limited	Hong Kong	HKD	100%	Investment management services
Henderson Global Investors (International Holdings) BV	Netherlands	EUR	100%	Holding company
Henderson Global Investors (Ireland) Limited	Ireland	EUR	100%	Investment management services

Notes to the financial statements continued

Group and Company continued

34. Subsidiaries of the Group continued

	Country of incorporation and principal place of operation	Functional currency	Percentage owned 2015	Principal Activity
Henderson Global Investors (Japan) Limited	Japan	JPY	100%	Investment management services
Henderson Global Investors (North America) Inc	USA	USD	100%	Investment management services
Henderson Global Investors (Schweiz) AG	Switzerland	CHF	100%	Marketing services
Henderson Global Investors (Singapore) Limited	Singapore	SGD	100%	Investment management services
Henderson Global Investors Asset Management Limited	UK	GBP	100%	Holding company
Henderson Global Investors BV	Netherlands	EUR	100%	Marketing services
Henderson Global Investors Equity Planning Inc	USA	USD	100%	Investment management services
Henderson Global Investors Geneva (Luxembourg) Finance SA	Luxembourg	USD	100%	Group financing
Henderson Global Investors Geneva Finance Limited	UK	USD	100%	Holding company
Henderson Global Investors Limited	UK	GBP	100%	Investment management services
Henderson Global Investors NPC Holdings LLC	USA	USD	100%	Holding company
Henderson Holdings Group BV	Netherlands	GBP	100%	Holding company
Henderson Holdings Group Limited	UK	GBP	100%	Holding company
Henderson Holdings Limited	UK	GBP	100%	Holding company
Henderson International GP LLC	USA	USD	100%	General partner
Henderson International Inc	USA	USD	100%	Holding company
Henderson Investment Consulting (Beijing) Limited	China	CNY	100%	Investment management services
Henderson Investment Funds Limited	UK	GBP	100%	Investment management services
Henderson Investment Management Limited	UK	GBP	100%	Investment management services
Henderson Investors Limited	UK	GBP	100%	Company in liquidation
Henderson Management SA	Luxembourg	USD	100%	Investment management services
Henderson Nominees Limited	UK	GBP	100%	Dormant company
Henderson Secretarial Services Limited	UK	GBP	100%	Company secretarial services
Henderson UK Finance plc	UK	GBP	100%	Group financing
Henderson Unit Trusts Limited	UK	GBP	100%	Dormant company
HEP (GP) Limited	UK	GBP	100%	General partner
HGI (Investments) Limited	UK	GBP	100%	Investment holding company
HGI Asset Management Group Limited	UK	GBP	100%	Holding company
HGI Group Limited	UK	GBP	100%	Holding company
HGI OMP UK Limited	UK	GBP	100%	Investment holding company
HGP2 Limited	UK	GBP	100%	General partner
HGP3 Limited	UK	GBP	100%	General partner
HGP4 Limited	UK	GBP	100%	General partner
HGP5 Limited	UK	GBP	100%	General partner
HPC Nominees Limited	UK	GBP	100%	Dormant company
New Star Asset Management (Bermuda) Limited	Bermuda	GBP	100%	Investment management services
New Star Asset Management Group Limited	UK	GBP	100%	Holding company
New Star Institutional Managers Holdings Limited	UK	GBP	100%	Company in liquidation
New Star International Investment Products Limited	Bermuda	GBP	100%	Dormant company
Oxford Acquisition III Limited	UK	GBP	100%	Group financing
UKFP (Asia) Nominees Limited	British Virgin Islands	HKD	100%	Dormant company
UKLS Financial Planning Limited	UK	GBP	100%	Company in liquidation
90 West Asset Management Limited	Australia	AUD	100%	Investment management services

The Group has a number of regulated subsidiaries which are subject to the capital requirements of certain regulatory bodies which can restrict their ability to remit funds to an immediate, intermediate or ultimate holding company within the Group.

Glossary

90 West
90 West Asset Management Limited

2016 Notes
Senior, unrated fixed rate notes due 24 March 2016

AGM
Annual General Meeting

AIFMD
EU Alternative Investment Fund Managers Directive

ASX
Australian Securities Exchange

ASX Principles
the ASX Corporate Governance Council issued Corporate Governance Principles and Recommendations

AUM
Assets under management

BAYE
Buy As You Earn Share Plan

Board
The board of directors of Henderson Group plc

bps
Basis points

BRC
Board Risk Committee

CDIs
CHESS Depositary Interests

CDP
Formerly known as Carbon Disclosure Project

CDXs
Credit default indices

CFDs
Contracts for difference

CFO
Chief Financial Officer

Code Staff
Employees who perform a significant influence function, senior management and risk takers whose professional activities could have a material impact on a firm's risk profile

Company
Henderson Group plc

compensation ratio
Employee compensation and benefits from continuing operations divided by net fee income from continuing operations, calculated on an underlying profit basis

CPI
Consumer Price Index

CRO
Chief Risk Officer

CSOP
Company Share Option Plan

DEP
Deferred Equity Plan

Directors
The directors of Henderson Group plc

EBITDA
Earnings before interest, tax, depreciation and amortisation

EMEA
Europe, Middle East and Africa

EPS
Earnings per share

ESG
Environmental, Social and Governance

ESOP
Employee Share Ownership Plan

ExCo
Executive Committee

Executive Directors
Being the Chief Executive and Chief Financial Officer

ExSOP
Executive Shared Ownership Plan

FCA
UK Financial Conduct Authority

FRC
UK Financial Reporting Council

FSCS
Financial Services Compensation Scheme

FTE
Full-Time Equivalent

FX
Foreign Exchange

GAAP
Generally accepted accounting principles

Gartmore
Gartmore Group Limited and its controlled entities

Gartmore acquisition
The acquisition of the entire share capital of Gartmore Group Limited

Geneva
Geneva Capital Management LLC

GHG emissions
Greenhouse Gas emissions

Group
Henderson Group plc and its controlled entities

hedge funds
Hedge funds including absolute return funds

Henderson
Controlled entities of Henderson Group plc carrying out core investment management activities

HGPS
Henderson Group Pension Scheme

HLAF
Henderson Liquid Assets Fund

HMRC
HM Revenue & Customs

HR
Human Resources

IAS
International Accounting Standard

ICAAP
Internal Capital Adequacy Assessment Process

ICICL
Intrinsic Cirilium Investment Company Limited

IFRS IC
International Financial Reporting Standards Interpretations Committee

IFRS
International Financial Reporting Standards as adopted by the European Union

KPI
Key performance indicator

LLC
Limited Liability Company

LLP
Limited Liability Partnership

LSE
London Stock Exchange

LTIP
Long-Term Incentive Plan

management fee margin
Management fees divided by average assets under management

MiFID II
Markets in Financial Instruments Directive 2

net margin
Underlying profit before tax from continuing operations divided by average assets under management

New Star
New Star Asset Management Group PLC and its controlled entities

OEIC
Open-Ended Investment Company

OIML
Optimum Investment Management Limited

operating margin
Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations

OTC
Over The Counter

Perennial
Perennial Fixed Interest Partners Pty Limited and Perennial Growth Management Pty Limited

PwC
PricewaterhouseCoopers LLP

RPI
Retail Price Index

RSP
Restricted Share Plan

SAYE
Sharesave Scheme

SICAV
Société d'investissement à capital variable (collective investment scheme)

TCF
Treating Customers Fairly

TH Real Estate
The joint venture vehicle named TIAA Henderson Real Estate Limited into which the Group contributed its European and Asian property business

TIAA-CREF transactions
The agreement to sell the North American property business and to contribute the European and Asian property business into a newly formed joint venture, TIAA Henderson Real Estate Limited

total fee margin
Net fee income from continuing operations divided by average assets under management

TRSs
Total return swaps

TSR
Total Shareholder Return

UCITS
Undertaking for Collective Investment in Transferable Securities

UK/United Kingdom
The United Kingdom of Great Britain and Northern Ireland

UK Code
Financial Reporting Council issued UK Corporate Governance Code

UK Companies Act
Companies Act 2006

UNPRI
United Nations Principles for Responsible Investment