

HENDERSON ADMINISTRATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

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HENDERSON ADMINISTRATION LIMITED

CONTENTS

	Page
Company information	1
Directors' report	2 - 3
Statement of Directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 - 23

HENDERSON ADMINISTRATION LIMITED

COMPANY INFORMATION

DIRECTORS

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

SECRETARY

Henderson Secretarial Services Limited

COMPANY NUMBER

290577

REGISTERED OFFICE

4 Broadgate
London
EC2M 2DA

AUDITORS

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

HENDERSON ADMINISTRATION LIMITED

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Company, which is authorised and regulated by the Financial Services Authority, are to act as the employing company of the Henderson Group employees, to provide administrative and other services to other Henderson Group companies, and to act as agent for clients in respect of swap, derivative, fixed interest and foreign exchange transactions. For certain foreign exchange transactions, the Company also acts as principal. These will continue to be the principal activities for the foreseeable future.

BUSINESS REVIEW

The Company's ultimate parent undertaking is Henderson Group plc ('the Group'). The review of the Company's activities and business operations is not performed at the individual entity level but as part of the Group's operational review. Accordingly the key financial and other performance indicators have been disclosed within the Full Annual Financial Report and Accounts of Henderson Group plc for the year ended 31 December 2006 which can be obtained from the Group's registered office as provided in note 20 to these financial statements.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,236,000 (2005 - £17,266,000)

The Directors declared an interim dividend of £3,000,000 on 20 December 2006 (2005 £nil). The Directors do not recommend the payment of a final dividend (2005 £nil).

DIRECTORS

The Directors who served during the year were

A J Boorman
M G Clare (resigned 10/11/06)
J N B Darkins
A J Formica
S J Garrod
N T Hiscock
D J Jacob
R P Yates

DIRECTORS' INDEMNITY

Henderson Group plc provides a deed of indemnity to Directors to the extent permitted by UK law whereby Henderson Group plc is able to indemnify a Director against any liability incurred in proceedings in which the Director is successful, and against the cost of successfully applying to the court to be excused for breach of duty where the Director acted honestly and reasonably.

PROVISION OF INFORMATION TO AUDITORS

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

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

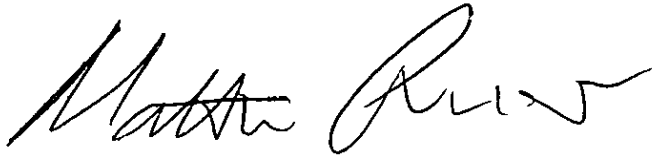
HENDERSON ADMINISTRATION LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2006

AUDITORS

The auditors, Ernst & Young LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 27 April 2004

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

A handwritten signature in black ink, appearing to read 'Matthew R. Jones', is written over a horizontal line.

Henderson Secretarial Services Limited
Secretary

HENDERSON ADMINISTRATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2006

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENDERSON ADMINISTRATION LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
London
30 April 2007

HENDERSON ADMINISTRATION LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006

	Note	2006 £000	2005 £000
REVENUE	2	151,303	157,274
Administrative expenses		<u>(137,546)</u>	<u>(135,118)</u>
OPERATING PROFIT	3	13,757	22,156
Profit on disposal of investments		62	-
Interest receivable		<u>6,095</u>	<u>5,779</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,914	27,935
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>(16,678)</u>	<u>(10,669)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u><u>3,236</u></u>	<u><u>17,266</u></u>

All amounts relate to continuing operations

The notes on pages 9 to 23 form part of these financial statements

HENDERSON ADMINISTRATION LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2006

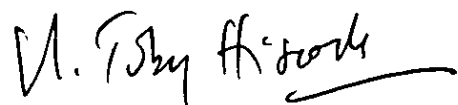
	Note	2006 £000	2005 £000
Net profit after tax from all operations		3,236	17,266
Actuarial gain/(loss) relating to pension scheme	17	2,900	(10,802)
Deferred tax attributable to actuarial gain/(loss)		<u>(870)</u>	<u>3,241</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>5,266</u>	<u>9,705</u>

HENDERSON ADMINISTRATION LIMITED

BALANCE SHEET As at 31 December 2006

	Note	£000	2006 £000	£000	2005 £000
FIXED ASSETS					
Tangible fixed assets	7		5,748		7,489
Fixed asset investments	8		<u>112</u>		<u>140</u>
			5,860		7,629
CURRENT ASSETS					
Debtors	9	220,727		184,613	
Cash at bank		<u>1,351</u>		<u>145,004</u>	
		222,078		329,617	
CREDITORS amounts falling due within one year	10	<u>(193,070)</u>		<u>(278,956)</u>	
NET CURRENT ASSETS			<u>29,008</u>		<u>50,661</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			34,868		58,290
PROVISIONS FOR LIABILITIES					
Deferred tax	11	-		(64)	
Provisions	12	<u>(13,978)</u>		<u>(11,489)</u>	
			<u>(13,978)</u>		<u>(11,553)</u>
NET ASSETS EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			20,890		46,737
Retirement benefit obligations	17		<u>(3,780)</u>		<u>(31,893)</u>
NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			<u>17,110</u>		<u>14,844</u>
CAPITAL AND RESERVES					
Called up share capital	13		22,501		22,501
Share premium account	14		311		311
Actuarial reserve	14		(9,080)		(11,110)
Profit and loss account	14		<u>3,378</u>		<u>3,142</u>
SHAREHOLDERS' FUNDS - All equity	15		<u>17,110</u>		<u>14,844</u>

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



N T Hiscock
Director

HENDERSON ADMINISTRATION LIMITED

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

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 MANAGEMENT FEES

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

1.3 INVESTMENTS

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

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight line basis to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	Over the shorter of ten years or the period of the lease
Motor vehicles	-	5 years
Office furniture and equipment	-	3 - 10 years
Main computers and associated equipment	-	3 years
Other computer equipment and software including major systems development costs	-	3 years

1.5 OPERATING LEASES

Rentals under operating leases are charged on a straight line basis over the lease term

1.6 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

HENDERSON ADMINISTRATION LIMITED

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

1 ACCOUNTING POLICIES (continued)

1.7 FOREIGN CURRENCIES

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

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

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

1.8 PENSIONS

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the pension fund in respect of the year

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2006

In accordance with FRS17, the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by the employees, and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the period in which they arise

1.9 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Certain retired employees are entitled to additional post retirement benefits. The Company provides in full the estimated cost of providing these benefits over the retired employees' lives. The estimated cost is calculated by an actuary on an annual basis

1.10 TAXATION

Corporation tax payable is provided on taxable profits at the current rate

2 REVENUE

An analysis of revenue by class of business is as follows

	2006 £000	2005 £000
Management fees and charges received from external parties	831	884
Management fees and charges received from group undertakings	144,580	149,788
Commissions receivable and other income	5,892	6,602
	<u>151,303</u>	<u>157,274</u>

All revenue arose within the United Kingdom

HENDERSON ADMINISTRATION LIMITED

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

3 OPERATING PROFIT

The operating profit is stated after charging

	2006 £000	2005 £000
Depreciation of tangible fixed assets		
- owned by the company	2,543	2,626
Auditors' remuneration	400	474
Operating lease rentals		
- other operating leases	14,086	11,654
Difference on foreign exchange	21	278
Amounts written off investments	22	15

Fees paid to the Company's auditors for services other than the statutory audit of the Company are disclosed on a consolidated basis in the Group's Full Annual Financial Report and Accounts

4 STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2006 £000	2005 £000
Wages and salaries	109,833	86,334
Redundancy costs	4,984	-
Social security costs	10,300	9,276
Other pension costs (Note 18)	8,900	11,473
	<u>134,017</u>	<u>107,083</u>

The above staff costs relate to all employees whose contracts of employment are with the Company. An element of these costs is recharged to fellow group subsidiaries for services rendered and it is not practicable to ascertain this element of the recharge separately.

Included in wages and salaries is a total expense relating to share-based payments of £11,844,000 (2005 £6,749,000) of which £9,614,000 (2005 £6,749,000) arises from transactions accounted for as equity settled share-based payments.

The average monthly number of employees, including the Directors, during the year was as follows

	2006 No	2005 No
Sales	133	89
Administration	384	360
Investment management	251	280
	<u>768</u>	<u>729</u>

HENDERSON ADMINISTRATION LIMITED

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

5. DIRECTORS' REMUNERATION

	2006 £000	2005 £000
Emoluments	<u>13,496</u>	<u>14,915</u>

During the year retirement benefits were accruing to 14 Directors (2005 19) in respect of money purchase pension schemes

During the year retirement benefits were accruing to 12 Directors (2005 16) in respect of defined benefit pension schemes

The remuneration of all Henderson Directors whose contract of employment is with Henderson Administration Limited is included in the aggregate emoluments above. Henderson Administration Limited levies a management charge to fellow subsidiaries which in certain cases includes the emoluments of Directors.

Mr N T Hiscock and Mr R P Yates are also Directors of Henderson Group plc and particulars of their remuneration are set out in the Group's Full Annual Financial Report and Accounts.

Henderson operates a long-term incentive scheme, the Henderson Global Investors Long Term Value Sharing Incentive Plan (HLTVSIP) for selected employees in the Group. Employees who participated in the HLTVSIP received an initial award of phantom equity units in substitution for part of their bonus awarded for the financial year 2000. Participants are entitled to receive a cash payment based on the Henderson after-tax profit achieved relative to return on capital performance targets and additional payment if targets based on Henderson performance were achieved. Participants are also entitled to receive further cash payments at the end of further specified periods in respect of any matching units awarded, payment of which is subject to remaining in employment to the end of the specified period and the achievement of performance targets.

Under the HLTVSIP, N T Hiscock and Mr R P Yates received awards of phantom equity units in substitution for part of their bonus for the year ended 31 December 2000 together with matching units, entitling them to receive cash payments in satisfaction of various performance targets relating to return on capital and continued employment. Total cash payments in respect of this plan are £118,044 and £414,999 for N T Hiscock and R P Yates respectively, which is being paid out over three years with the first payment having been made in January 2004.

No Director exercised any share options in the current year or in the prior year which require to be disclosed under the Companies Act 1985.

HENDERSON ADMINISTRATION LIMITED

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

6. TAXATION

	2006 £000	2005 £000
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profits for the year	13,708	7,183
DEFERRED TAX		
Origination and reversal of timing differences	3,025	(1,554)
Adjustments in respect of previous years	(55)	5,040
TOTAL DEFERRED TAX (see note 11)	2,970	3,486
TAX ON PROFIT ON ORDINARY ACTIVITIES	16,678	10,669

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	19,914	27,935
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	5,974	8,381
EFFECTS OF:		
Expenses not deductible for tax purposes	4,778	242
Movement on deferred tax	(3,023)	342
Adjustments to tax charge in respect of prior periods	5,979	(1,782)
CURRENT TAX CHARGE FOR THE YEAR (see note above)	13,708	7,183

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

HENDERSON ADMINISTRATION LIMITED

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

7 TANGIBLE FIXED ASSETS

	Short - term leasehold buildings £000	Office furniture and equipment £000	Computer equipment and software £000	Motor vehicles £000	Total £000
COST					
At 1 January 2006	10,738	7,324	4,190	581	22,833
Additions	169	80	592	-	841
Transfer from group undertaking	-	-	-	-	-
Disposals	(99)	-	-	(524)	(623)
	<u>10,808</u>	<u>9,704</u>	<u>10,853</u>	<u>391</u>	<u>31,756</u>
At 31 December 2006					
	<u>10,808</u>	<u>9,704</u>	<u>10,853</u>	<u>391</u>	<u>31,756</u>
DEPRECIATION					
At 1 January 2006	5,701	6,524	2,567	552	15,344
Charge for the year	1,035	385	1,113	10	2,543
Transfer from group undertaking	-	-	-	-	-
On disposals	(60)	-	-	(524)	(584)
	<u>6,676</u>	<u>9,209</u>	<u>9,751</u>	<u>372</u>	<u>26,008</u>
At 31 December 2006					
	<u>6,676</u>	<u>9,209</u>	<u>9,751</u>	<u>372</u>	<u>26,008</u>
NET BOOK VALUE					
At 31 December 2006					
	<u>4,132</u>	<u>495</u>	<u>1,102</u>	<u>19</u>	<u>5,748</u>
At 31 December 2005					
	<u>5,037</u>	<u>800</u>	<u>1,623</u>	<u>29</u>	<u>7,489</u>

The transfer from group undertakings represents the transfer of fully depreciated assets (book cost £8,705,000) from Henderson Fund Management Plc, a fellow subsidiary during the year at nil value

HENDERSON ADMINISTRATION LIMITED

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

8. FIXED ASSET INVESTMENTS

	Investment in subsidiary undertaking £000	Unlisted investments £000	Total £000
COST			
At 1 January 2006	50	90	140
Disposals	-	(6)	(6)
At 31 December 2006	50	84	134
IMPAIRMENT			
Charge for the year	22	-	22
At 31 December 2006	22	-	22
NET BOOK VALUE			
At 31 December 2006	28	84	112
At 31 December 2005	50	90	140

PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Principle activity
Henderson Secretarial Services Limited	United Kingdom	100	Corporate Secretary
Henderson Administration Services Limited	United Kingdom	100	Corporate Director

The Company holds ordinary shares in these subsidiary undertakings. In the opinion of the Directors, the aggregate value of the shares in subsidiaries is not less than the amount at which they are stated in the balance sheet.

9. DEBTORS

	2006 £000	2005 £000
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset (see note 11)	8,144	-
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	204,106	179,391
Other debtors	3,055	564
Prepayments and accrued income	5,422	4,658
	<u>220,727</u>	<u>184,613</u>

HENDERSON ADMINISTRATION LIMITED

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

10 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £000	2005 £000
Bank loans and overdrafts	73,525	-
Other loans	14,500	14,500
Amounts owed to group undertakings	52,735	222,434
Corporation tax	11,873	516
Social security and other taxes	3,144	883
Other creditors	621	1,351
Accruals and deferred income	36,672	39,272
	<u>193,070</u>	<u>278,956</u>

11. DEFERRED TAXATION

	2006 £000	2005 £000
At 1 January	(64)	4,884
Deferred tax charge in the profit and loss for the year	(2,970)	(3,486)
Deferred tax credit in STRGL	(870)	3,241
Transfer of deferred tax in respect of retirement benefit obligations	12,048	(4,703)
	<u>8,144</u>	<u>(64)</u>

The deferred taxation balance is made up as follows

	2006 £000	2005 £000
Accelerated capital allowances	(144)	(260)
Other timing differences	1,529	196
Retirement benefit obligation - Henderson Group Pension Scheme	6,759	-
	<u>8,144</u>	<u>(64)</u>

HENDERSON ADMINISTRATION LIMITED

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

12 PROVISIONS

	Leasehold provision £000	Restructure provision £000	Ex-gratia post-retire- ment benefits provision £000	Other provisions £000	Total £000
At 1 January 2006	4,632	2,597	654	3,606	11,489
Additions	2,659	6,646	-	632	9,937
Amounts utilised	(1,734)	(3,755)	-	(521)	(6,010)
Amounts released	-	(500)	-	(938)	(1,438)
At 31 December 2006	<u>5,557</u>	<u>4,988</u>	<u>654</u>	<u>2,779</u>	<u>13,978</u>

LEASEHOLD PROVISION

Henderson Group leases its current premises at 4 Broadgate along with a neighbouring property at 3 Finsbury Avenue. The leases are held by the Company, which pays rent in accordance with the terms of the agreements.

The leasehold properties provision was made for the excess of lease rentals and other payments on properties that are currently vacant or expected to become vacant, over the amounts to be recovered from subletting these properties. The current year additions of £2,659,000 include £1,700,000 in respect of the business restructure that took place in November 2006.

RESTRUCTURE PROVISION

The restructure provision additions of £6,646,000 are in respect of specific redundancy and other related costs of the business restructure that took place in November 2006. It is expected that this provision will be utilised in 2007. The balance of £2,597,000 brought forward from the previous year was in relation to the cost of restructuring across the group which was substantially utilised in 2006.

EX-GRATIA POST-RETIREMENT BENEFITS PROVISION

The ex-gratia post-retirement benefits provision represents amounts due in respect of excess retirement benefits over and above what is already funded.

OTHER PROVISIONS

Other provisions represent amounts due for additional employee costs.

13 SHARE CAPITAL

	2006 £000	2005 £000
AUTHORISED		
25,000,000 Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
22,500,760 Ordinary shares of £1 each	<u>22,501</u>	<u>22,501</u>

HENDERSON ADMINISTRATION LIMITED

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

14 RESERVES

	Share premium account £000	Actuarial reserve £000	Profit and loss account £000
At 1 January 2006	311	(11,110)	3,142
Profit retained for the year	-	-	3,236
Dividends Equity capital	-	-	(3,000)
Pension reserve movement	-	2,030	-
	<u>311</u>	<u>(9,080)</u>	<u>3,378</u>
At 31 December 2006			

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Opening shareholders' funds	14,844	5,139
Profit for the year	3,236	17,266
Dividends (Note 16)	(3,000)	-
Actuarial gains/(losses) on pension schemes net of tax	<u>2,030</u>	<u>(7,561)</u>
Closing shareholders' funds	<u>17,110</u>	<u>14,844</u>

16 DIVIDENDS

	2006 £000	2005 £000
Dividends paid on equity capital:		
Interim dividend for 2006	<u>3,000</u>	-
	<u>3,000</u>	-

HENDERSON ADMINISTRATION LIMITED

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

17. PENSION COMMITMENTS

Henderson Group Pension Scheme

The Company is a participating employer in the Henderson Group Pension Scheme ("The Scheme"). The Scheme received a past service transfer of £241.2m in April 2005 from the HHG Staff Pension Scheme. The liabilities transferred mirrored those accrued under the HHG Staff Pension Scheme. The Scheme is funded by payment of contributions to a separately administered trust fund. The Scheme's appointed investment managers are Henderson Global Investors Limited, Fidelity Investments Life Assurance Limited, Legal & General Assurance and Standard Life Investments Limited. The Scheme is subject to regular valuations by an independent qualified actuary, Watson Wyatt LLP.

The assumptions used for the 2006 FRS 17 disclosures have been based on the proposed full valuation of the Henderson Group Pension Scheme at 31 December 2005 (assumptions used for the 2005 disclosures were based on the HHG Staff Pension Scheme actuarial valuation at 31 December 2003), updated by Watson Wyatt LLP in order to assess the assets and liabilities of the Scheme at 31 December 2006 and 31 December 2005 respectively. The Scheme assets are stated at their fair value at 31 December 2006 and 31 December 2005.

Prior to 31 December 2006, the Henderson Group Pension Scheme's Statement of Funding Principles was renewed with Henderson Group plc, whereas previously this had been sponsored by the Company. As at that date the Scheme's net assets of £2.6m were transferred from the Company to Henderson Group plc. The movement in the Company's Statement of Total Recognised Gains and Losses represents the movements prior to the transfer date.

Henderson Group unapproved pension schemes

Henderson Group operates a number of unapproved pension schemes, the details of which are provided below.

The Pearl Executive Scheme Members of this scheme are also members of the Henderson Group Pension Scheme. However, pensionable earnings under the Henderson Group Pension Scheme are limited to 1/60th for each year of service and the earnings cap, and the Pearl Executive Scheme provides benefits at 1/30th for each year of service with a maximum of two-thirds of salary after 20 years' service based on pensionable earnings above the earnings cap, on an unfunded basis.

The Henderson Top Up Scheme Members of this scheme are also members of the Henderson Group Pension Scheme. However, pensionable earnings under the Henderson Group Pension Scheme are limited to the earnings cap, and the Henderson Top Up Scheme enables benefits to be based on pensionable earnings without restriction to the earnings cap. These additional uncapped benefits are generally provided on an unfunded basis. However, some members of the Henderson Top Up Scheme also have benefits within a separately administered trust fund (the Henderson Pension Trust), which is a funded arrangement.

There is an unfunded liability in respect of one member, to whom the Company has made a contractual promise to pay a fixed pension from age 60.

The Company operates a defined benefit pension scheme.

The Company's total pension cost included within operating profit was £8,900,000 (2005 - £11,473,000), being £8,300,000 (2005 - £10,600,000) in respect of its defined benefit pension arrangements and £600,000 (2005 - £873,000) in respect of its defined contribution pension arrangements.

The amounts in the financial statements for the year ended 31 December 2006, relating to pensions, are based on a full actuarial valuation dated 31 December 2006.

HENDERSON ADMINISTRATION LIMITED

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

THE MAIN FINANCIAL ASSUMPTIONS USED IN THE ACTUARIAL VALUATION WERE

a) Financial assumptions

	2006 %	2005 %
Inflation	3.1	2.9
Rate of increase in salaries	4.6	4.4
Expected rate of return on scheme assets	8.2	8.1
Pension increases		
- where guarantee is Limited Price Indexation (LPI)	3.1	2.9
- where guarantee is fixed	At fixed rate	At fixed rate
Discount rate for liabilities	<u>5.1</u>	<u>4.7</u>

b) Demographic assumptions

The demographic assumptions used are those underlying the formal actuarial valuation of the Scheme as at 31 December 2005. Post-retirement mortality was assumed to follow the standard tables PMA/PFA92 (C=2020) with an allowance for future mortality improvements in line with "medium cohort" effects. The table below demonstrates the changes in implied life expectancies as at 31 December 2005 using the aforementioned mortality tables.

	Male No. of years	Female No. of years
Life expectancy for a member who is currently 60	26.5	29.5
Life expectancy at 60 for a member who is currently 45	27.5	30.5

THE ASSETS IN THE SCHEME AND THE EXPECTED RATES OF RETURN WERE.

	Long-term rate of return expected at 2006 %	Value at 2006 £000	Long-term rate of return expected at 2005 %	Value at 2005 £000
Equities	-	-	8.1	138,900
Bonds	-	-	4.3	109,300
Unapproved scheme assets	8.2	100	8.1	188
Cash	-	-	3.7	7,900
Total market value of assets		<u>100</u>		<u>256,288</u>
Present value of scheme liabilities		<u>(5,500)</u>		<u>(301,850)</u>
(Deficit) in the scheme		<u>(5,400)</u>		<u>(45,562)</u>
Deferred tax thereon		<u>1,620</u>		<u>13,669</u>
Net pension liability		<u>(3,780)</u>		<u>(31,893)</u>

HENDERSON ADMINISTRATION LIMITED

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

The following amounts have been recognised in the financial statements in the year to 31 December 2006 and 31 December 2005 under the requirements of FRS17

	2006 £000	2005 £000
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OPERATING PROFIT

Total pension expense	8,900	11,473
Total operating charge	<u>8,900</u>	<u>11,473</u>

ANALYSIS OF AMOUNT RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

Experience gains and losses arising on the scheme liabilities	2,900	(10,802)
Actuarial gain/(loss) recognised in STRGL	<u>2,900</u>	<u>(10,802)</u>

	2006 £000	2005 £000
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MOVEMENTS IN (DEFICIT)/SURPLUS DURING THE YEAR

(Deficit) in scheme at beginning of year	(45,562)	(33,924)
Current year service cost	(10,600)	(11,822)
Contributions	48,762	10,637
Past service cost	(300)	(300)
Other finance income	2,000	649
Actuarial gain/(loss)	2,900	(10,802)
Transfer of net pension asset to Holding Company	(2,600)	-
Deficit in scheme at end of year	<u>(5,400)</u>	<u>(45,562)</u>

Retirement benefit obligations recognised in the balance sheet

	2006 £000	2005 £000
Henderson Group Pension Scheme	-	(40,100)
Henderson Group unapproved pension scheme	<u>(5,400)</u>	<u>(5,462)</u>
Total	<u>(5,400)</u>	<u>(45,562)</u>

HENDERSON ADMINISTRATION LIMITED

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

Deferred tax on retirement benefits recognised in the balance sheet

	2006 £000	2005 £000
Henderson Group Pension Scheme	-	12,030
Henderson Group unapproved pension scheme	<u>1,620</u>	<u>1,639</u>
Total	<u>1,620</u>	<u>13,669</u>

Retirement benefit obligations net of deferred tax

	2006 £000	2005 £000
Henderson Group Pension Scheme	-	(28,070)
Henderson Group unapproved pension scheme	<u>(3,780)</u>	<u>(3,823)</u>
Total	<u>(3,780)</u>	<u>(31,893)</u>

Pension expense recognised in the profit and loss account

	2006 £000	2005 £000
Current service cost	10,300	11,300
Interest cost	13,800	13,100
Expected return on scheme assets	(16,100)	(14,100)
Past service cost	300	300
Current service cost	300	522
Interest cost	300	390
Expected return on scheme assets	-	(39)
Total	<u>8,900</u>	<u>11,473</u>

Employer contributions

The Company does not expect to contribute to the unapproved pension scheme for the year to 31 December 2007

(Gain)/loss recognised in the statement of total recognised gains and losses (STRGL)

	2006 £000	2005 £000
Henderson Group Pension Scheme	(2,400)	12,700
Henderson Group unapproved pension scheme	<u>(500)</u>	<u>(1,898)</u>
Total	<u>(2,900)</u>	<u>10,802</u>

HENDERSON ADMINISTRATION LIMITED

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

18 OPERATING LEASE COMMITMENTS

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire	Land and buildings	
	2006	2005
	£000	£000
Between 2 and 5 years	<u>9,797</u>	<u>12,431</u>

The leasehold provision disclosed in note 12 relates to annual commitments under non-cancellable operating leases

19 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures", relating to transactions between 90 per cent or more controlled subsidiaries, by not disclosing information on related party transactions with entities that are part of the Henderson Group plc, or investees of the group qualifying as related parties

20 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Henderson Global Investors (Holdings) Plc and ultimate parent undertaking is Henderson Group plc. A copy of the Group's Full Annual Financial Report and Accounts for the year ended 31 December 2006 can be obtained from its registered office at 4 Broadgate, London, EC2M 2DA. Accordingly, in line with s228(1) of the Companies Act 1985, the Company is exempt from the requirement to prepare and deliver group financial statements

21. CASH FLOW STATEMENT

The Company has taken advantage of the exemption in FRS 1 'Cash Flow Statements' to subsidiary undertakings where 90% or more of the voting rights are controlled within the Group, by not preparing a cash flow statement

22 POST BALANCE SHEET EVENTS

The Board of Directors have not received, as at 27 April 2007, being the date the financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, which have not been reflected in the financial statements as presented