

Registered number: 2678531

HENDERSON INVESTMENT FUNDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

WEDNESDAY



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HENDERSON INVESTMENT FUNDS LIMITED

COMPANY INFORMATION

DIRECTORS	C B Chaloner J G Foggin G J Kitchen H J de Sausmarez M R Skinner P C Wagstaff
COMPANY SECRETARY	Henderson Secretarial Services Limited
REGISTERED NUMBER	2678531
REGISTERED OFFICE	201 Bishopsgate London EC2M 3AE
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
BANKERS	The Royal Bank of Scotland Plc 2 1/2 Devonshire Square London EC2M 4XJ

HENDERSON INVESTMENT FUNDS LIMITED

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HENDERSON INVESTMENT FUNDS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present the report and the audited financial statements of Henderson Investment Funds Limited ("the Company"), for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND FUTURE OUTLOOK

The principal activity of the Company, which is authorised and regulated by the Financial Conduct Authority, is to act as the Authorised Corporate Director (ACD) for certain open-ended investment companies (OEICs), as an authorised unit trust (UT) manager, as an Alternative Investment Fund (AIF) manager for a number of funds, and as the plan manager for the Henderson Individual Savings Accounts (ISAs). These will continue to be the principal activities of the Company for the foreseeable future.

BUSINESS REVIEW

The Company is a wholly owned subsidiary of Henderson Group plc ("HG plc" or "the Group"). The Group is run on an integrated basis through business units, not by the legal construct of its subsidiaries. Therefore the Company's strategy and business model is governed by that of the Group which is set out in detail in the Annual Report and Accounts of the Group which can be obtained from its registered office as set out in note 23. The Group provides investment management services to clients throughout Europe, the Americas and Asia. The Group manages a broad range of actively managed investment products for institutional and retail investors, across multiple asset classes, including equities, fixed income, multi-asset and alternatives.

On 3 October 2016, Henderson Group plc announced a recommended merger with Janus Capital Group, Inc. The merger, which is still subject to the requisite shareholder approval, is expected to close in the second quarter of 2017. The proposed merger did not have any impact on the Company's financial statements for the year ended 31 December 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Investment performance

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

Market

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

Fund flows

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

HENDERSON INVESTMENT FUNDS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Key personnel

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

Strategic

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

Operational, IT and Legal

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

Regulatory change

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

Foreign currency

Adverse movements in exchange rates may cause the Company to sustain losses. The Company aims to mitigate this risk by limiting its exposure and also holding financial assets and liabilities of equal value in the same currency.

Cash and liquidity

Poor cash management may lead the Company to be unable to meet its payment obligations as they fall due. The Company reviews its liquidity on a daily basis to ensure it has sufficient cash or highly liquid assets available to meet its liabilities. It is the Group's policy to ensure it has access to funds to cover all forecast commitments.

HENDERSON INVESTMENT FUNDS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

KEY PERFORMANCE MEASURES

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

Gross fee income

Gross fee income has decreased by £33.0m in the year. This is mainly driven by a change in the mix of shareclass holdings, with investments transferring to lower fee rate shareclasses. Performance fees were also lower year on year, contributing to lower fee income.

Commission and deferred acquisition costs

Commission and deferred acquisition costs have decreased by £13.5m in the year. This is mainly driven by a change in the mix of shareclass holdings, with investments transferring to clean shareclasses where lower or no commission is payable.

Operating expenses

Operating expenses increased by £34.7m in the year due to an increase in the Group operating expense recharges from other Group entities, following changes to the Group transfer pricing policy.

Financial position and performance

Total Shareholders' funds attributable to equity holders of the parent increased by £7.9m to £97.5m as at 31 December 2016. This was due to a profit for the financial year of £11.4m less dividends paid of £3.5m.

This report was approved by the Board of Directors on 11 April 2017 and signed on its behalf by:



Henderson Secretarial Services Limited
Secretary

HENDERSON INVESTMENT FUNDS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £11,440,000 (2015: £57,714,000).

Dividends paid in the year amounted to £3,500,000 (2015: £35,000,000).

DIRECTORS

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

L E Cairney (Resigned 15 February 2016)
C B Chaloner
J G Foggin (Appointed 26 June 2016)
G J Kitchen
H J de Sausmarez
M R Skinner
P C Wagstaff

FUTURE DEVELOPMENTS

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

DIRECTORS' INDEMNITY

Henderson Group plc provides a deed of indemnity to the Directors to the extent permitted by United Kingdom law whereby Henderson Group plc is able to indemnify a director against any liability incurred in proceedings in which the Director is successful, and against the cost of successfully applying to the court to be excused for breach of duty where the Director acted honestly and reasonably. The indemnity has been in force for the year to 31 December 2016 and up to the date of approval of the report and financial statements.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis for the preparation of the annual financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Auditors are unaware. Each Director has taken all the steps that they are obliged to take as a director in order to be aware of any relevant audit information and to establish that the Auditors are aware of that information.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

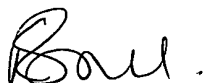
HENDERSON INVESTMENT FUNDS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

INDEPENDENT AUDITORS

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

This report was approved by the Board on 11 April 2017 and signed by order of the Board by:

A handwritten signature in black ink, appearing to read "Paul", followed by a period.

Henderson Secretarial Services Limited
Secretary

HENDERSON INVESTMENT FUNDS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ('UK GAAP')), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101').

Under Company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these audited financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



M R Skinner
Director
11 April 2017

HENDERSON INVESTMENT FUNDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDERSON INVESTMENT FUNDS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Henderson Investment Funds Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

HENDERSON INVESTMENT FUNDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENDERSON INVESTMENT FUNDS LIMITED

Directors' remuneration

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

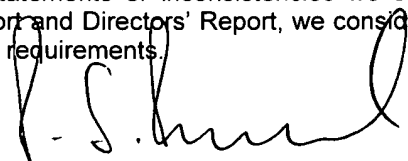
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

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

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

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



Parwinder Purewal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

11 April 2017

HENDERSON INVESTMENT FUNDS LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Gross fee income	3	268,898	301,868
Commissions and acquisition costs	4	(43,758)	(57,214)
Net fee income		225,140	244,654
Operating expenses	5	(214,725)	(180,029)
Operating profit		10,415	64,625
Finance income	9	1,785	3,083
Finance expense	10	(760)	(894)
Profit before tax		11,440	66,814
Tax on profit	11	-	(9,100)
Profit for the financial year		11,440	57,714

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £000	2015 £000
Profit for the financial year	11,440	57,714
Total comprehensive income for the year	11,440	57,714

The notes on pages 12 to 23 form part of these financial statements.

HENDERSON INVESTMENT FUNDS LIMITED
REGISTERED NUMBER: 2678531

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Non-current assets			
Intangible assets	13	1,581	2,102
		<u>1,581</u>	<u>2,102</u>
Current assets			
Financial assets at fair value through profit and loss	14	2,515	536
Income tax recoverable		727	750
Trade and other receivables	15	210,666	254,596
Available-for-sale financial assets		1	1
Cash and cash equivalents	17	6,592	9,435
		<u>220,501</u>	<u>265,318</u>
Current liabilities			
Trade and other payables	18	(124,577)	(177,855)
Net assets		<u><u>97,505</u></u>	<u><u>89,565</u></u>
CAPITAL AND RESERVES			
Ordinary share capital	20	1,000	1,000
Profit and loss account		96,505	88,565
Total equity		<u><u>97,505</u></u>	<u><u>89,565</u></u>

The financial statements were approved and authorised for issue by the Board on 11 April 2017 and were signed on its behalf by:



M R Skinner
Director

The notes on pages 12 to 23 form part of these financial statements.

HENDERSON INVESTMENT FUNDS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Ordinary share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	1,000	88,565	89,565
Comprehensive income for the year			
Profit for the financial year	-	11,440	11,440
Total comprehensive income for the year	-	11,440	11,440
Contributions by and distributions to owners			
Dividends	-	(3,500)	(3,500)
Total transactions with owners	-	(3,500)	(3,500)
At 31 December 2016	1,000	96,505	97,505

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

	Ordinary share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2015	1,000	65,851	66,851
Comprehensive income for the year			
Profit for the financial year	-	57,714	57,714
Total comprehensive income for the year	-	57,714	57,714
Contributions by and distributions to owners			
Dividends	-	(35,000)	(35,000)
Total transactions with owners	-	(35,000)	(35,000)
At 31 December 2015	1,000	88,565	89,565

The notes on pages 12 to 23 form part of these financial statements.

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006.

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

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

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

The Company is a wholly owned subsidiary of HGI (Holdings) Limited and of its ultimate parent, Henderson Group plc. It is included within the consolidated financial statements of Henderson Group plc which are publically available, see note 23.

1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1.3 GOING CONCERN

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

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.4 GROSS FEE INCOME

Gross fee income includes management fees, general administration charges (GAC) and performance fees, net of rebates. Management fees and GAC 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.

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

1.5 COMMISSIONS AND ACQUISITION COSTS

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. Acquisition costs are also accounted for on an accruals basis.

1.6 OPERATING EXPENSES

Operating expenses are accrued and recognised as incurred.

Recharges from Group undertakings in the year include amounts due to other Group undertakings for investment management, advisory or distribution services provided on behalf of the Company and expenses borne by another Group undertaking on behalf of the Company. These are allocated based on the Group's transfer pricing policy on a net residual profit basis.

1.7 FINANCE INCOME AND EXPENSE

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

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

1.8 INCOME TAX

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

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.9 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Investment Management Contracts	-	5	years
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1.10 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 Company determines the classification of its financial assets on initial recognition.

Financial assets at fair value through profit or loss

Where securities are designated as fair value through profit or loss, gains and losses arising from changes in fair value are included in the Income Statement.

Trade and other receivables and cash and cash equivalents

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

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

Amounts held for clients are held in separately designated client bank accounts, which do not form part of the Company's cash balances and are not included on the Statement of Financial Position.

1.11 TRADE AND OTHER PAYABLES

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

1.12 FOREIGN CURRENCY TRANSLATION

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

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.13 DIVIDEND RECOGNITION

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

1.14 INCOME TAX

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

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

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

Impairment of intangible assets

Investment management contracts are reviewed for impairment if there are indicators that the carrying value may be impaired.

Interests in other entities

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

The Company has judged that its pooled investment funds are structured entities unless substantive removal or liquidation rights exist.

Performance fees

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

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. GROSS FEE INCOME

Gross fee income comprise as the following:

- (a) Management and performance fees:
 - i) Management fees from unit trusts, OEICs and investment trusts, which are based on the value of AUM.
 - ii) Performance fees from OEICs and investment trusts, which are based on the investment performance achieved for certain fund and client portfolios.
- (b) General Administration Charges for unit trusts and OEICs, which are based on the value of AUM.
- (c) Other income from unit trusts and OEICs, which are based on the value of AUM and Group recharges.
- (d) Amounts arising from dealing in units and shares:
 - i) Profit on sale of OEIC shares. The manager meets investors' requirements for the purchase or sale of units and shares not only by creation and liquidation of units and shares but also by dealing as principal.
 - ii) An initial charge on units and shares sold. This is calculated as a percentage of the value of units and shares sold and revenue from this source will therefore vary with the value of new units and shares sold.

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

	2016 £000	2015 £000
Management and performance fees	234,271	262,544
GAC	27,549	29,364
Profit on dealing in units and shares	4,158	3,358
Other income	2,920	6,602
	<u>268,898</u>	<u>301,868</u>

The company acts as principal in the sale of shares in its OEICs, although, it is in substance acting as an agent.

All the above gross fee income arose from within UK.

4. COMMISSION AND ACQUISITION COSTS

	2016 £000	2015 £000
Commission payable	43,758	57,214
	<u>43,758</u>	<u>57,214</u>

Commission payable is in respect of distribution services performed in relation to the unit trusts and OEICs.

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. OPERATING EXPENSES

The operating expenses comprise:

	2016 £000	2015 £000
Amortisation of intangible assets, including goodwill	521	501
Foreign exchange differences	615	94
Recharges from Group undertakings	213,407	179,123
Other expenses	182	311
	<u>214,725</u>	<u>180,029</u>

6. AUDITORS' REMUNERATION

Auditors' remuneration of £33,376 (2015: £19,892) and £250,000 (2015: £24,510) in respect of the audit of the Company's financial statements and audit related assurance services respectively is borne by a fellow Group undertaking.

7. EMPLOYEES

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

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. DIRECTORS' REMUNERATION

The Directors of the Company were employed and remunerated as executives of the Group in respect of their services to the Group as a whole. The Directors believe that it is not practicable to apportion part of their remuneration to the services as Directors of the Company.

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

	2016 £000	2015 £000
Emoluments		
Total emoluments to Company Directors	4,208	4,168
Emoluments paid to highest paid Director	1,552	1,588
Pension contributions made in respect of the highest paid director	28	25
Money Purchase Pension Scheme contributions	121	122
Defined Benefit Pension Scheme contributions	-	-
	<u> </u>	<u> </u>

Emoluments comprise salaries, bonuses and other employee benefits.

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

Money purchase pension scheme	<u>7</u>	<u>7</u>
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During the year seven of the Directors of the Company exercised share options (2015: seven). Six Directors of the Company received options under the Group's Long Term Incentive Plan ("LTIP") (2015: five).

The highest paid Director of the Company was awarded LTIP options and exercised options during 2016 and 2015.

9. FINANCE INCOME

	2016 £000	2015 £000
Interest receivable on balances due from Group undertakings	1,772	3,057
Other interest receivable	13	26
	<u>1,785</u>	<u>3,083</u>

10. FINANCE EXPENSES

	2016 £000	2015 £000
Bank interest payable	11	6
Interest on loans due to Group undertakings	749	888
	<u>760</u>	<u>894</u>

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. TAX ON PROFIT

	2016 £000	2015 £000
Current tax		
Current tax on profits for the year	-	9,100
Total current tax	-	9,100

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The UK corporation tax rate applicable for the year is 20% (2015: 20.25%). The tax assessed to the company for the year is lower (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	11,440	66,814
Tax charge at the UK Corporation Tax rate of 20% (2015: 20.25%)	2,288	13,528
Effects of:		
Group relief claimed for nil consideration and worldwide debt cap adjustments	(2,288)	(4,428)
Total tax charge for the year	-	9,100

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Reductions in the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020 have been substantively enacted. These tax rate changes will affect the Company's current tax charge or credit in future years.

12. DIVIDENDS

	2016 £000	2015 £000
£3.50 per share (2015: £35 per share) paid on 20 December 2016	3,500	35,000
	3,500	35,000

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. INTANGIBLE ASSETS

	2016 £000
Cost	
At 1 January 2016	2,603
At 31 December 2016	2,603
Accumulated amortisation	
At 1 January 2016	501
Charge for the year	521
At 31 December 2016	1,022
Net Book Value	
At 31 December 2016	1,581
<i>At 31 December 2015</i>	<i>2,102</i>

The intangible asset as at 31 December 2016 relates to the Property Fund Investment Management Contract acquired from Old Mutual that is being amortised over five years. As at 31 December 2016 the remaining amortisation period was three years.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2016 £000	2015 £000
Box Units held	2,515	536
	2,515	536

HENDERSON INVESTMENT FUNDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Trade receivables	116,624	83,842
Amounts owed by Group undertakings	55,812	101,880
Loans owed by Group undertakings	-	35,762
Other receivables	132	107
Accrued income	38,098	33,005
	<u>210,666</u>	<u>254,596</u>

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

Trade receivables comprise:

	2016 £000	2015 £000
Unit Trust/OEIC trustees/depositary receivables for units and shares liquidated	31,495	17,777
Receivables for unit and share sales	83,544	59,934
Other trade receivables	1,585	6,131
	<u>116,624</u>	<u>83,842</u>

16. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

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

	2016 £000	2015 £000
Trade receivables (Other trade receivables)	-	3,847
Accrued income	27,322	23,237
	<u>27,322</u>	<u>27,084</u>

17. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Dealing Account	6,578	9,389
Cash at bank and in hand	14	46
	<u>6,592</u>	<u>9,435</u>

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade creditors	111,609	77,726
Accruals and deferred income	10,654	10,026
Amounts owed to Group undertakings	824	88,933
Other payables	1,468	1,128
Indirect tax payable	22	42
	<u>124,577</u>	<u>177,855</u>

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

Trade payables comprise:

	2016 £000	2015 £000
Unit Trust/OEIC trustees/depositary payables for units and shares created	79,368	51,155
Payables for units and share repurchases	32,241	26,571
	<u>111,609</u>	<u>77,726</u>

19. RESERVES

Profit and loss account

The profit and loss reserve comprises:

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

20. ORDINARY SHARE CAPITAL

	2016 £000	2015 £000
AUTHORISED		
5,000,000 (2015: 5,000,000) Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
1,000,000 (2015: 1,000,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

21. CONTINGENT LIABILITIES

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. The Directors are not aware of any contingent liabilities requiring disclosure in these financial statements as at 31 December 2016 or 2015.

HENDERSON INVESTMENT FUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Board of Directors is not aware as at 11 April 2017, being the date the financial statements were approved, of any information concerning significant conditions in existence at the reporting date, which have not been reflected in the financial statements as presented.

23. CONTROLLING PARTY

The Company's immediate parent undertaking is Henderson Global Investors (Holdings) Limited, a company incorporated in the United Kingdom and the ultimate parent undertaking and controlling party is Henderson Group plc, a company incorporated in Jersey which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of the Group's Annual Report and Accounts for the year ended 31 December 2016 can be obtained from its registered office at 47 Esplanade, St Helier, Jersey, JE1 OBD or its website, www.henderson.com.