

# **NEW STAR ASSET MANAGEMENT LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2010**



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## **NEW STAR ASSET MANAGEMENT LIMITED**

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**NEW STAR ASSET MANAGEMENT LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

S J Garrood  
A J Formica  
A J Boorman  
D J Jacob  
J N Darkins  
R P Pease  
M Beale  
R P Greville

**COMPANY SECRETARY**

Henderson Secretarial Services Limited

**COMPANY NUMBER**

3984658

**REGISTERED OFFICE**

201 Bishopsgate  
London  
EC2M 3AE

**AUDITORS**

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

**BANKERS**

The Royal Bank of Scotland plc  
2 1/2 Devonshire Square  
London  
EC2M 4XJ

## **NEW STAR ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT for the year ended 31 December 2010**

The Directors present their report and the financial statements of New Star Asset Management Limited ("the Company"), for the year ended 31 December 2010

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is to provide investment management and advisory services to institutional funds

The Company is regulated and authorised by the Financial Services Authority (FSA) in the United Kingdom

#### **BUSINESS REVIEW**

The Company's ultimate parent undertaking is Henderson Group plc. The review of the Company's activities and business operations is not performed at the individual entity level as the operational review is conducted at the ultimate parent level, Henderson Group plc and its subsidiaries ("the Group"). There is a proactive approach to risk management and a framework has been designed to manage the risks of its business and to ensure that the Boards of Directors at both Henderson Group plc and subsidiary levels have in place appropriate risk management practices. Accordingly, the key financial and other performance indicators together with the risk management objectives and policies have been disclosed within the Annual Report and Accounts of Henderson Group plc for the year ended 31 December 2010, which can be obtained from the registered office as provided in note 19 to these financial statements.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £1,287,000 (2009: £1,038,000 loss)

The Directors did not declare an interim dividend in 2010 (2009: £nil). The Directors do not recommend the payment of a final dividend (2009: £nil).

#### **DIRECTORS**

The Directors who served during the year were

S J Garrood  
A J Formica  
D J Jacob  
J N Darkins  
R P Pease  
M Beale  
R P Greville

#### **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.

## **NEW STAR ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT for the year ended 31 December 2010**

#### **PROVISION 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the auditor, each director has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **CREDITORS PAYMENT POLICY**

The Company's creditors are paid in accordance with stated terms in the normal course of business. The Company aims to obtain the best terms it can for all its business. The Company agrees with its suppliers the terms on which it will undertake business and its policy is to abide by these terms.

#### **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and position, financial risk management objectives and its exposure to cash flow risk are included in the Group's Business Review.

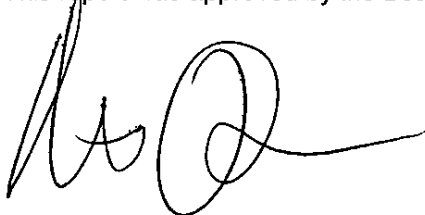
The Company has considerable financial resources together with long term contracts and the Directors believe that the Company is well placed to manage its business risks successfully.

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 of accounting in preparing the annual financial statements.

#### **AUDITORS**

In accordance with section 487(2) of the Companies Act 2006, the auditors are deemed to be reappointed.

This report was approved by the Board of Directors on 6 April 2011 and signed on its behalf by



**Henderson Secretarial Services Limited**  
Secretary

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## **NEW STAR ASSET MANAGEMENT LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES for the year ended 31 December 2010**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make 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, 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.

## **NEW STAR ASSET MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW STAR ASSET MANAGEMENT LIMITED**

We have audited the financial statements of New Star Asset Management Limited for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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.

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 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.

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

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**NEW STAR ASSET MANAGEMENT LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW STAR ASSET MANAGEMENT LIMITED**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Ernst & Young LLP*

**R Engineer (Senior Statutory Auditor)**

For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date *6 April 2011*

**NEW STAR ASSET MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 2010**

	<b>Note</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>TURNOVER</b>	1, 2	<b>1,725</b>	13,558
Administrative expenses		<u>(152)</u>	<u>(15,563)</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	<b>1,573</b>	(2,005)
Interest receivable	4	<b>14</b>	12
Other income		<u>-</u>	<u>655</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,587</b>	(1,338)
Tax on profit/(loss) on ordinary activities	7	<u>(300)</u>	<u>300</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u><b>1,287</b></u>	<u>(1,038)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss Account, accordingly a statement of total recognised gains and losses is not required

The notes on pages 9 to 15 form part of these financial statements

**NEW STAR ASSET MANAGEMENT LIMITED**  
Registered number: 3984658

**BALANCE SHEET**  
as at 31 December 2010

	Note	£000	2010 £000	2009 £000
<b>CURRENT ASSETS</b>				
Debtors	8	1,089		11,739
Cash at bank	9	15,111		570
		<u>16,200</u>		<u>12,309</u>
<b>CREDITORS:</b> amounts falling due within one year	10	<u>(6,082)</u>		<u>(3,997)</u>
<b>NET CURRENT ASSETS</b>			<u>10,118</u>	<u>8,312</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>10,118</u>	<u>8,312</u>
<b>CREDITORS:</b> amounts falling due after more than one year	11		<u>(2,000)</u>	<u>(2,000)</u>
<b>PROVISIONS FOR LIABILITIES</b>				
Other provisions	13		<u>(519)</u>	<u>-</u>
<b>NET ASSETS</b>			<u>7,599</u>	<u>6,312</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	14		2,500	2,500
Other reserves	15		(4)	(4)
Profit and loss account	15		<u>5,103</u>	<u>3,816</u>
<b>SHAREHOLDERS' FUNDS</b>	16		<u>7,599</u>	<u>6,312</u>

The notes on pages 9 to 15 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2011 and were signed on its behalf by

*S J Garrood*

**S J Garrood**  
Director

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## **NEW STAR ASSET MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

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

##### **1.2 MANAGEMENT AND ADVISORY FEES**

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

##### **1.3 TAXATION**

Current tax is provided on the Company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is recognised in the Profit and Loss Account for the period except to the extent that it is attributable to a gain or a loss recognised directly in the statement of total recognised gains and losses in which case tax attributable to that gain or loss is also recognised directly in the statement of total recognised gains and losses.

##### **1.4 FOREIGN CURRENCIES**

Foreign currency denominated monetary assets and liabilities are translated into pound sterling at the exchange rate ruling at the balance sheet date. Foreign currency transactions during the year have been translated at the exchange rate ruling at the date of the transaction. All such exchange gains and losses are included in the Profit and Loss Account.

##### **1.5 INTEREST RECEIVABLE**

Interest receivable is recognised on an accruals basis.

##### **1.6 COMMISSION AND OTHER INCOME**

Commission and other income is accounted for on an accruals basis.

# NEW STAR ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. REVENUE

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

#### Analysis of revenue:

	2010 £000	2009 £000
Management fees	1,461	2,779
Revenue received from group undertakings	320	10,993
Commission and fees payable against income	(56)	(214)
Total	<u>1,725</u>	<u>13,558</u>

### 3 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after (crediting)/charging

	2010 £000	2009 £000
Foreign exchange loss	1,332	2,062
Redundancy costs	-	485
Auditors' remuneration	-	6

Auditors' remuneration in respect of the audit of the Company's financial statements was borne by a fellow subsidiary and was not recharged to the Company

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

### 4. INTEREST INCOME

	2010 £000	2009 £000
Interest receivable on cash balances	<u>14</u>	<u>25</u>

### 5. STAFF COSTS

	2010 £000	2009 £000
Wages and salaries	-	3,889
Social Security	-	378
Pension costs	-	338
Share-based payments	-	32
	<u>-</u>	<u>4,637</u>

### 5. EMPLOYEES (continued)

The Company has no employees. On acquisition of New Star Asset Management Group PLC and its subsidiaries by Henderson Group plc on 6th April 2009, the employees' contracts of employment were

## NEW STAR ASSET MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

transferred to Henderson Administration Limited, and they became members of the money purchase section of the Henderson Group Pension Scheme. All staff costs are recognised as an expense in the financial statements of Henderson Administration Limited. These costs will not be recharged to the Company.

The average number of persons employed by the Company during the year was as follows

	2010 £000	2009 £000
Investment Professionals	-	15
Sales, marketing and administration staff	-	13
	<hr/>	<hr/>
Total	-	28
	<hr/>	<hr/>

## 6 DIRECTORS' REMUNERATION

	2010 £000	2009 £000
Emoluments and benefits	-	771
Performance fees and commissions	-	582
Defined contribution pension scheme	-	69
	<hr/>	<hr/>
		1,422
	<hr/>	<hr/>
Highest paid director		
Emoluments and benefits	-	64
Performance fees and commissions	-	582
Defined contribution pension scheme	-	9
	<hr/>	<hr/>
		655
	<hr/>	<hr/>

Year 2009 relates to the period up to the acquisition of New Star Asset Management Group PLC (refer note 5). The Directors of the Company were employed and remunerated as directors and 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.

Mr A J Formica and Mrs S J Garrod are also directors of Henderson Group plc and particulars of their remuneration are set out in the Group's Annual Report and Accounts as described in note 19.

**NEW STAR ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2010**

**7 TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>ANALYSIS OF TAX CHARGE IN THE YEAR</b>		
<b>CURRENT TAX</b>		
UK corporation tax charge on profit/(loss) for the year	-	-
<b>DEFERRED TAX</b>		
Credit for the period	-	(288)
Prior period adjustments	<b>300</b>	(12)
<b>TOTAL DEFERRED TAX</b> (see note 12)	<b>300</b>	(300)
<b>TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>300</b>	(300)

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Profit/(loss) on ordinary activities before tax	<b>1,587</b>	(1,338)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	<b>444</b>	(374)
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	-	6
Group relief (claimed)/surrendered	(444)	80
Movement in deferred tax	-	288
<b>CURRENT TAX CHARGE FOR THE YEAR</b>	<b>-</b>	<b>-</b>

**8. DEBTORS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	-	175
Amounts owed by group undertakings	<b>773</b>	10,236
Other debtors	-	3
Prepayments and accrued income	<b>316</b>	1,025
Deferred tax asset (see note 12)	-	300
	<b>1,089</b>	11,739

# **NEW STAR ASSET MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2010

### **9. CASH**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Cash at bank	-	570
Cash held under agency agreement	<b>15,111</b>	-
	<u><b>15,111</b></u>	<u><b>570</b></u>

The Directors have waived the right to receive interest on the balance held under an agency agreement with a fellow group subsidiary

### **10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	<b>4,844</b>	376
Value Added Tax payable	-	12
Other creditors	<b>1,201</b>	1,529
Accruals and deferred income	<b>37</b>	2,080
	<u><b>6,082</b></u>	<u><b>3,997</b></u>

### **11. CREDITORS.** **AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Subordinated intragroup loan from fellow group company	<b>2,000</b>	2,000

The subordinated loan was made by New Star Asset Management Holdings Limited to the Company on 29 April 2008. This is re-payable in 2013 providing there is adequate regulatory capital in the Company. This loan is non-interest bearing.

### **12 DEFERRED TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
At 1 January	<b>300</b>	-
Current year charge	-	288
Prior period adjustments	<b>(300)</b>	12
	<u><b>-</b></u>	<u><b>300</b></u>

The deferred taxation balance is made up as follows

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Accrued bonus	<b>-</b>	300

**NEW STAR ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2010**

**13. PROVISIONS**

	<b>Financial Services Compensation Scheme ("FSCS") levy £000</b>
At 1 January 2010	-
Additions	519
	<hr/>
At 31 December 2010	519
	<hr/>

**FINANCIAL SERVICES COMPENSATION SCHEME ("FSCS") LEVY**

The FSCS raised an interim levy on investment managers in respect of claims received primarily from investors in Keydata Investment Services Limited (in administration). The Company has provided for this levy in full in 2010. In 2011, the Company resubmitted its eligible income, on which the levy is based, to the Financial Services Authority.

**14. SHARE CAPITAL**

	<b>2010 £000</b>	<b>2009 £000</b>
<b>AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID</b>		
2,500,000 - Ordinary shares of £1 each	2,500	2,500
	<hr/>	<hr/>

**15. RESERVES**

	<b>Other Reserves £000</b>	<b>Profit and loss account £000</b>
At 1 January 2010	(4)	3,816
Profit for the year	-	1,287
	<hr/>	<hr/>
At 31 December 2010	(4)	5,103
	<hr/>	<hr/>

**16. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	<b>2010 £000</b>	<b>2009 £000</b>
Opening shareholder's funds	6,312	7,184
Profit/(loss) for the year	1,287	(1,038)
Share based payments	-	32
Exchange movement on translation of foreign operations	-	134
	<hr/>	<hr/>
	7,599	6,312
	<hr/>	<hr/>

## **NEW STAR ASSET MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **17. CASH FLOW STATEMENT**

The Company has taken advantage of the exemption in FRS 1 "Cash Flow Statements" from the requirement to prepare a cash flow statement, on the basis that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group, which prepares publicly available financial statements

#### **18. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures", relating to transactions between 100% 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

#### **19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent undertaking is New Star Asset Management Holdings Limited and ultimate parent undertaking is Henderson Group plc. A copy of the Group's Annual Report and Accounts for the year ended 31 December 2010 can be obtained from its registered office at 47 Esplanade, St Helier, Jersey, JE1 0BD

#### **20. POST BALANCE SHEET EVENTS**

The Board of Directors has not received, as at 6 April 2011, 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