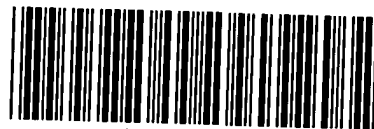


Registered number: 2072534

HGI GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

WEDNESDAY



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HGI GROUP LIMITED

COMPANY INFORMATION

DIRECTORS	A N Kurzon R M Thompson
COMPANY SECRETARY	Henderson Secretarial Services Limited
REGISTERED NUMBER	2072534
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

HGI GROUP LIMITED

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HGI GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present the report and the audited financial statements of HGI Group Ltd ("the Company") for the year ended 31 December 2017.

The Directors have prepared the report in accordance with the small companies regime and taken advantage of the small companies' exemption (Companies Act 2006 (section 414B)) in not preparing a Strategic Report. The Company would have otherwise qualified as a small company was it not a member of an ineligible group.

PRINCIPAL ACTIVITIES AND FUTURE OUTLOOK

The principal activity of the Company is that of a holding company for certain Janus Henderson Group companies which provide investment management services. The Directors do not envisage a change of activities in the foreseeable future.

BUSINESS REVIEW

The Company is a wholly owned subsidiary of Janus Henderson Group plc ("JHG 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 22. The Group provides investment management services throughout Europe, the Americas and Asia. The Group manages a broad range of actively managed investment products for institutional and retail investors, across multiple asset classes, including equities, fixed income, multi-asset and alternatives.

On 30 May 2017, JHG plc (formally Henderson Group plc) completed a merger with Janus Capital Group, Inc. The merger did not impact the principal activities or the financial statements of the Company for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £15.5 million (2016: £44.5 million).

Dividends paid in the year amount to £22.0 million (2015: £61.2 million).

DIRECTORS

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

A J Formica (resigned 31 July 2018)
A N Kurzon (appointed 02 August 2017)
M R Skinner (resigned 29 June 2017)
R M Thompson

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 to early identify new and emerging risks. The Group's culture embeds the management of risk at all levels within the organisation. Please refer to the Group Annual Report and Accounts, as set out in Note 22, for the major risks affecting the Group.

HGI GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS' INDEMNITY

Janus Henderson Group plc provides a deed of indemnity to the Directors to the extent permitted by United Kingdom law whereby Janus 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 2017 and up to the date of approval of the report and financial statements.

GOING CONCERN

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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 21 September 2018 and signed by order of the Board by:



Henderson Secretarial Services Limited
Secretary

HGI GROUP LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Under Company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS101, 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.



R M Thompson
Director
21 September 2018

HGI GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HGI GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, HGI Group Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement and the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

HGI GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HGI GROUP LIMITED

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

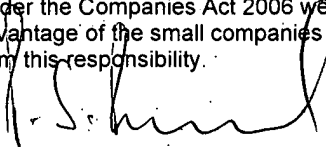
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



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

21 September 2018

HGI GROUP LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £m	2016 £m
Dividends received from subsidiary undertakings		24.2	61.6
Operating expenses	3	(6.1)	(3.2)
Operating profit		18.1	58.4
Finance income	7	18.6	20.5
Finance expense	8	(21.3)	(34.5)
Profit before tax		15.4	44.4
Taxation	9	0.1	0.1
Profit for the year		15.5	44.5

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £m	2016 £m
Profit for the year		15.5	44.5
Other comprehensive income:			
Items that will not be reclassified to the Income Statement			
Actuarial (losses)/gains on defined benefit pension scheme (after tax deducted at source)	20	(10.9)	10.3
		(10.9)	10.3
Items that may be reclassified to the Income Statement:			
Available-for-sale financial assets:			
Available-for-sale financial assets: net gains/(losses) on revaluation		0.2	(0.1)
Net gain/(loss) on available-for-sale financial assets		0.2	(0.1)
Total comprehensive income for the year		4.8	54.7

The notes on pages 10 to 32 form part of these financial statements.

HGI GROUP LIMITED
REGISTERED NUMBER:2072534

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Non current assets			
Investments	10	1,155.9	1,118.0
Retirement benefit assets	20	147.3	145.9
Deferred tax asset	15	0.2	0.1
Current assets			
Financial assets at fair value through profit or loss	12	7.3	10.8
Available-for-sale financial assets	12	4.3	4.4
Trade and other receivables	11	562.7	552.0
Cash and cash equivalents	13	7.0	26.3
Total assets		<u>1,884.7</u>	<u>1,857.5</u>
Non current liabilities			
Provisions		(0.2)	(0.2)
Current liabilities			
Trade and other payables	14	(897.9)	(853.9)
Financial liabilities at fair value through profit or loss		(4.0)	(4.1)
Current tax liabilities		(0.5)	(0.5)
Total liabilities		<u>(902.6)</u>	<u>(858.7)</u>
Net Assets		<u>982.1</u>	<u>998.8</u>
Capital and reserves			
Ordinary share capital	17	108.3	108.3
Share premium		195.1	195.1
Revaluation reserve		0.5	0.3
Profit and loss account		678.2	695.1
Total equity		<u>982.1</u>	<u>998.8</u>

The financial statements were approved and authorised for issue by the Board on 21 September 2018 and were signed on its behalf by:


R.M. Thompson
 Director

The notes on pages 10 to 32 form part of these financial statements.

HGI GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Ordinary share capital	Share premium	Revaluation reserve	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
At 1 January 2017	108.3	195.1	0.3	695.1	998.8
Comprehensive income for the year					
Profit for the year	-	-	-	15.5	15.5
Actuarial losses on pension scheme	-	-	-	(10.9)	(10.9)
Available-for-sale financial assets: net gains on revaluation	-	-	0.2	-	0.2
Other comprehensive expense for the year	-	-	0.2	(10.9)	(10.7)
Total comprehensive income for the year	-	-	0.2	4.6	4.8
Dividends paid	-	-	-	(22.0)	(22.0)
Net capital contribution in relation to share-based payments	-	-	-	0.5	0.5
Total transactions with owners	-	-	-	(21.5)	(21.5)
At 31 December 2017	108.3	195.1	0.5	678.2	982.1

HGI GROUP LIMITED

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

	Ordinary share capital	Share premium	Revaluation reserve	Profit and loss reserve	Total equity
	£m	£m	£m	£m	£m
At 1 January 2016	108.3	195.1	0.4	701.8	1,005.6
Comprehensive income for the year					
Profit for the year	-	-	-	44.5	44.5
Actuarial gains on pension scheme	-	-	-	10.3	10.3
Available-for-sale financial assets: net losses on revaluation	-	-	(0.1)	-	(0.1)
Other comprehensive income for the year	-	-	(0.1)	10.3	10.2
Total comprehensive income for the year	-	-	(0.1)	54.8	54.7
Dividends paid	-	-	-	(61.2)	(61.2)
Net capital contribution in relation to share-based payments	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	(61.5)	(61.5)
At 31 December 2016	108.3	195.1	0.3	695.1	998.8

The notes on pages 10 to 32 form part of these financial statements.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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' and the Companies Act 2006.

The Company financial statements are presented in GBP and all values are rounded to the nearest one hundred 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. In the process of applying the Company's accounting policies, management has made significant judgements involving estimations and assumptions. 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 Henderson Holdings Group Limited and of its ultimate parent, Janus Henderson Group plc. The Company's results form part of the consolidated financial statements of Janus Henderson Group plc which are publically available, see note 22. Therefore the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE

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

- the requirements of paragraphs 45(b) and 46- 52 of IFRS 2 Share-based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91- 99 of IFRS 13 Fair Value Measurement;
- Paragraph 38 of IAS 1 Presentation of Financial Statements, comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1.3 GOING CONCERN

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

1.4 OPERATING EXPENSES

Operating expenses are accrued and recognised as incurred.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.5 SHARE-BASED PAYMENTS

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

The cost of these transactions are recorded in the Income Statement of the Company with a corresponding increase in equity as a capital contribution from the ultimate parent undertaking.

1.6 FINANCE INCOME AND EXPENSE

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

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

1.7 DIVIDENDS RECEIVED FROM SUBSIDIARY UNDERTAKINGS

Dividends received from subsidiary undertakings are 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.

1.9 INVESTMENTS

Investments consist of investments in subsidiary undertakings, including controlled structured entities which are held at cost less any impairment in value where circumstances indicate that the carrying value may not be recoverable.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.10 FINANCIAL INSTRUMENTS

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

1.11 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.

Available-for-sale financial assets

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

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

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

Trade and other receivables

Trade and other receivables 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

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.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.12 DERIVATIVE FINANCIAL INSTRUMENTS

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

1.13 FINANCIAL LIABILITIES

Financial liabilities, excluding provisions and derivative financial instruments, are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Provisions and derivative financial instruments are recognised at fair value through the Income Statement.

Provisions

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

1.14 FAIR VALUE ESTIMATION

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

1.15 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.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.16 PENSIONS

The Company provides employees of Group undertakings with retirement benefits and is the sponsoring company for the Group's defined benefit scheme. The assets of the scheme are held separately from the Company's general assets and trustee administered funds.

Defined benefit obligations and the cost of providing benefits are determined annually by independent qualified actuaries using the projected unit credit method. The obligation is measured as the present value of the estimated future cash outflows using a discount rate based on AA rated corporate bond yields of appropriate duration. The resulting surplus or deficit of defined benefit assets less liabilities is recognised in the Statement of Financial Position, net of any taxes that would be deducted at source.

Normal contributions to the defined benefit scheme are expensed in a subsidiary of the Group as they become payable, in accordance with the rules of the scheme.

1.17 SHARE CAPITAL

The Company's ordinary equity shares of 12.5 pence each are classified as equity instruments. Equity shares issued by the Company are recorded at the fair value of the proceeds received or the market price on the day of issue. Direct issue costs, net of tax, are deducted from equity through share premium.

1.18 DIVIDEND RECOGNITION

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

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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:

Interest in structured entities

Interests in structured entities are treated as subsidiaries on the basis of control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

Share-based payment transactions

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

Impairment of investments

Investments are reviewed for impairment at each reporting date or more frequently if there are indicators that the carrying value is impaired. Management also exercises judgement in determining whether a decrease in the value of an asset meets the prolonged or significant tests.

Pension and other post-employment benefits

The costs of, and period end obligations under, defined benefit pension schemes are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. Further details are given in note 20.

Provisions

By their nature, provisions often reflect significant levels of judgement or estimates by management.

Fair value estimation

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

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. OPERATING EXPENSES

The operating expenses comprise:

	2017 £m	2016 £m
Foreign exchange differences	1.1	(0.2)
Salaries and wages (including share-based payments) (refer to note 5)	5.0	3.4
	<u>6.1</u>	<u>3.2</u>

4. AUDITORS' REMUNERATION

Auditors' remuneration of £11,874 (2016: £11,528) in respect of the Company's financial statements is borne by a fellow Group undertaking.

Auditors' remuneration in respect of the Company's direct and indirect subsidiaries of £602,925 (2016: £456,905) in respect of the audit of their financial statements was also borne by a fellow Group undertaking.

5. EMPLOYEES

Staff costs were as follows:

	2017 £m	2016 £m
Salaries and wages	5.0	3.4
	<u>5.0</u>	<u>3.4</u>

Certain employees of the Company are members of the Group's share plans. The share-based payment charge relating to these plans have been charged to the Company. Further details of the Group's share plans are set out in the Annual Report and Accounts of Janus Henderson Group plc which can be obtained from its registered office as set out in note 22.

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

	2017 No.	2016 No.
Corporate	<u>3</u>	<u>3</u>

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. DIRECTORS REMUNERATION

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.

A J Formica was also director of Janus Henderson Group plc during the year and particulars of his remuneration for the period that he was a Director are set out in the Group's Annual Report and Accounts as described in note 22.

The Directors are all paid by Henderson Administration Limited and further details of remuneration paid to the Directors are set out in the financial statements of that entity.

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

	2017 £m	2016 £m
Total emoluments to company Directors	8.4	3.5
Emoluments paid to highest paid Director	5.8	2.0
Money Purchase Pension Scheme contributions	0.1	0.1

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	4.0	3.0
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During the year four of the Directors of the Company exercised share options (2016: three). Four Directors of the Company received shares under the Group's long term incentive schemes (2016: three).

The highest paid Director of the Company was awarded shares under the Group's long term incentive schemes and exercised options during 2017 and 2016.

7. FINANCE INCOME

	2017 £m	2016 £m
Net gain on financial assets carried at fair value	-	0.1
Interest on net retirement benefit asset	5.0	5.6
Gain on sale of investment	-	3.6
Interest receivable on balances due from Group undertakings	7.5	8.2
Recharges made to Group undertakings	6.1	3.0
	<u>18.6</u>	<u>20.5</u>

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

8. FINANCE EXPENSE

	2017 £m	2016 £m
Interest payable on balances due to Group companies	11.0	8.9
Net loss on financial instruments carried at fair value	10.3	25.6
	<u>21.3</u>	<u>34.5</u>

9. TAXATION

	2017 £m	2016 £m
CURRENT TAX		
Charge for the year	-	-
TOTAL CURRENT TAX	<u>-</u>	<u>-</u>
DEFERRED TAX		
Credit for the year	(0.1)	(0.1)
TOTAL DEFERRED TAX	<u>(0.1)</u>	<u>(0.1)</u>
TOTAL TAX CREDITED TO THE INCOME STATEMENT	<u>(0.1)</u>	<u>(0.1)</u>

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The UK corporation tax applicable for the year is 19.25% (2016: 20%). The tax assessed to the Company for the year is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £m	2016 £m
Profit on ordinary activities before tax	<u>15.4</u>	<u>44.4</u>
Tax charge at the UK corporation tax of 19.25% (2016: 20%)	3.0	8.9
EFFECTS OF:		
Expenses not deductible for tax purposes	1.3	-
Non taxable income	(5.2)	(11.3)
Compensation related adjustments	0.1	0.2
Transfer out of capital gain to group companies	(0.3)	(0.1)
Net adjustment on disposal of investment	0.6	0.1
Group relief surrendered for nil consideration and worldwide debt cap adjustments	0.4	2.1
TOTAL TAX CREDIT FOR THE YEAR	<u>(0.1)</u>	<u>(0.1)</u>

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 enacted. These tax rate changes will affect the Company's current tax charge or credit in the future years.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10. INVESTMENTS

	Investments in subsidiary companies £m
COST OR VALUATION	
At 1 January 2017	1,285.2
Transfer from financial assets at fair value through profit or loss	3.2
Transfer to financial assets at fair value through profit or loss	(6.6)
Additions	41.3
	<hr/>
At 31 December 2017	1,323.1
	<hr/>
IMPAIRMENT	
At 1 January 2017	167.2
	<hr/>
At 31 December 2017	167.2
	<hr/>
NET BOOK VALUE	
	<hr/>
At 31 December 2017	1,155.9
	<hr/>
At 31 December 2016	1,118.0
	<hr/>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings (direct* and indirect) of the Company as at 31 December 2017:

Name	Functional Currency	Percentage of share capital owned 2016	Principal activity
SUBSIDIARY GROUP A			
Alphagen Capital Limited	GBP	100 %	Investment management services
Gartmore Investment Limited	GBP	100 %	Investment management services
Gartmore Investment Management Limited	GBP	100 %	Holding company
Gartmore Investment Services Limited	GBP	100 %	Holding company
Henderson Administration Limited	GBP	100 %	Administrative services
Henderson Alternative Investment Advisor Limited	GBP	100 %	Holding company
Henderson Asset Management Limited	GBP	100 %	Holding company
Henderson Equity Partners Limited	GBP	100 %	Investment management services
Henderson Fund Management Limited	GBP	100 %	Investment management services
Henderson Global Investors (Holdings) Limited*	GBP	100 %	Holding company

HGI GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. INVESTMENTS (CONTINUED)

Henderson Global Investors Asset Management Limited	GBP	100 %	Holding company
Henderson Global Investors Geneva Finance Limited	USD	100 %	Holding company
Henderson Global Investors Limited	GBP	100 %	Investment management services
Henderson Holdings Limited	GBP	100 %	Holding company
Henderson Investment Funds Limited	GBP	100 %	Investment management services
Henderson Investment Management Limited	GBP	100 %	Investment management services
Henderson Nominees Limited	GBP	100 %	Dormant company
Henderson Secretarial Services Limited	GBP	100 %	Company secretarial services
Henderson Unit Trusts Limited	GBP	100 %	Dormant company
HEP (GP) Limited	GBP	100 %	General partner
HGI (Investments) Limited*	GBP	50 %	Investment holding company
HPC Nominees Limited	GBP	100 %	Dormant company
New Star Asset Management Group Limited	GBP	100 %	Holding company
SUBSIDIARY GROUP B			
H3 Global Advisors Pty Limited	AUD	100 %	Company in liquidation
Henderson AE Pty Limited	AUD	100 %	Company in liquidation
Henderson AFI Pty Limited	AUD	100 %	Company in liquidation
Janus Henderson Investors (Australia) Funds Management Limited	AUD	100 %	Investment management services
Janus Henderson Investors (Australia) Institutional Funds Management Limited	AUD	100 %	Investment management services
Janus Henderson Investors (Australia) Limited	AUD	100 %	Administrative services
90 West Asset Management Limited	AUD	100 %	Company in liquidation
Janus Henderson Global Equity Fund	AUD	98.3 %	Investment entity
Janus Henderson Global Equity Income Fund - (Australia)	AUD	93.6 %	Investment entity
Janus Henderson Global Fixed Interest Total Return Fund - (Australia)	AUD	61 %	Investment entity
SUBSIDIARY GROUP C			
Henderson Global Investors Geneva (Luxembourg) Finance SA	USD	100 %	Group financing
Janus Henderson Global Equity Market Neutral Fund	USD	100 %	Investment entity
Janus Henderson Horizon Emerging Market Corporate Bond Fund	USD	29.5 %	Investment entity
Janus Henderson Horizon Global Corporate Bond Fund	USD	100 %	Investment entity
Janus Henderson Horizon Global Equity Income Fund	USD	34.5 %	Investment entity

HGI GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. INVESTMENTS (CONTINUED)

Janus Henderson Horizon Global Natural Resources	USD	74.9 %	Investment entity
Janus Henderson Horizon Pan European Dividend Income	EUR	99.8 %	Investment entity
Janus Henderson Horizon Strategic Bond Fund	USD	95 %	Investment entity
SUBSIDIARY GROUP D			
CLOF II UK Limited	GBP	100 %	Company in liquidation
G.I.L. Nominees Limited	GBP	100 %	Company in liquidation
H3 Global Advisors Limited	GBP	100 %	Company in liquidation
Henderson Finances	GBP	100 %	Company in liquidation
Henderson UK Finance Limited	GBP	100 %	Company in liquidation
HGI OMP UK Limited	GBP	100 %	Company in liquidation
Oxford Acquisition III Limited	GBP	100 %	Company in liquidation
SUBSIDIARY GROUP E			
Henderson Equity Holdings LLC	USD	100 %	Holding company
Henderson Global Investors (North America) Inc	USD	100 %	Investment management services
Henderson Global Investors Equity Planning Inc	USD	100 %	Investment management services
Henderson International GP LLC	USD	100 %	General partner
Henderson International Inc	USD	100 %	Holding company
SUBSIDIARY GROUP F			
Asia Pacific Equity Partners II L.P.(HAPEP II)	USD	45 %	Partnership for making, monitoring and realising investments
Gartmore Services Limited	GBP	100 %	Professional services
Henderson Equity Partners Jersey (GP) Limited	GBP	100 %	General partner
SUBSIDIARY GROUP G			
The Alphagen Elnath Fund Limited	USD	32.4 %	Investment entity
The Alphagen Long Short Agriculture Fund Limited	USD	39.3 %	Investment entity
Gartmore Group Limited	GBP	100 %	Holding company
SUBSIDIARY GROUP H			
HGP3 Limited	GBP	100 %	Company in liquidation
HGP4 Limited	GBP	100 %	Company in liquidation
HGP5 Limited	GBP	100 %	Company in liquidation
SUBSIDIARY GROUP I			
Henderson Global Investors (International Holdings) BV	EUR	100 %	Holding company
Henderson Global Investors BV	EUR	100 %	Marketing services
SUBSIDIARY GROUP J			

HGI GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. INVESTMENTS (CONTINUED)

Henderson Equity Partners (GP) Limited	GBP	100 %	General partner
HGP2 Limited	GBP	100 %	General partner
SUBSIDIARY GROUP K			
Janus Henderson International Long/Short Equity Fund	USD	78.3 %	Investment entity
Janus Henderson International Small Cap Fund	USD	61 %	Investment entity
SUBSIDIARY GROUP L			
New Star Asset Management (Bermuda) Limited	GBP	100 %	Investment management services
SUBSIDIARY GROUP M			
Henderson Global Investors (Schweiz) AG	CHF	100 %	Marketing services
SUBSIDIARY GROUP N			
Gibran Securities Pty Limited	AUD	100 %	Company in liquidation
SUBSIDIARY GROUP O			
UKFP (Asia) Nominees Limited	HKD	100 %	Dormant company
SUBSIDIARY GROUP P			
Henderson Investment Consulting (Beijing) Limited	CNY	100 %	Investment management services
SUBSIDIARY GROUP Q			
Henderson Equity Partners India Private Limited	INR	100 %	Investment management services
SUBSIDIARY GROUP R			
Geneva Capital Management LLC	USD	100 %	Investment management services
SUBSIDIARY GROUP S			
Henderson Global Investors (Japan) Limited	JPY	100 %	Investment management services
SUBSIDIARY GROUP T			
HEP Mauritius Limited	USD	45 %	Investment holding company
SUBSIDIARY GROUP U			
The AlphaGen Developing Markets Best Ideas Fund LLC	USD	31.4 %	Investment entity

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. INVESTMENTS (CONTINUED)

The registered offices of the Company's subsidiaries are as follows:

Name	Registered office
Subsidiary Group A	201 Bishopsgate, London EC2M 3AE, UK.
Subsidiary Group B	Level 36, Grosvenor Place, 225 George Street, Sydney NSW 2000, Australia.
Subsidiary Group C	2 Rue de Bitbourg, L-1273 Luxembourg.
Subsidiary Group D	KPMG, 15 Canada Square, London E14 5GL.
Subsidiary Group E	151 Detroit Street, Denver, CO 80206.
Subsidiary Group F	5th Floor, 37 Esplanade, St Helier, Jersey, JE1 2TR.
Subsidiary Group G	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
Subsidiary Group H	20 Castle Terrace, Edinburgh, EH1 2EG.
Subsidiary Group I	Roemer Visscherstraat 43-45, 1054 EW Amsterdam, Netherlands.
Subsidiary Group J	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland.
Subsidiary Group K	84 State Street, Boston, MA 02109.
Subsidiary Group L	2 Church Street, Hamilton, HM 11, Bermuda.
Subsidiary Group M	Rennweg 28/Fortunagasse 40, 8001 Zurich, Switzerland.
Subsidiary Group N	Level 47, Suite 4702, 1 Macquarie Place, Sydney, NSW 2000.
Subsidiary Group O	PO Box 438 Beaufort House, Road Town, Tortola, British Virgin Islands.
Subsidiary Group P	Suite 2401-15, China World Office 2, No. 1 Jianguomenwai Avenue, Beijing 100004.
Subsidiary Group Q	do Budhraj Adlakha & Co., 5/31 W.E.A Karol Bagh, New Delhi, 110 005, India.
Subsidiary Group R	100 E. Wisconsin, Suite 2550, Milwaukee, Wisconsin 53202, United States.
Subsidiary Group S	6-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan.
Subsidiary Group T	Les Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius.
Subsidiary Group U	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

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 Statement of Financial Position. Where events or changes in circumstances indicate that the carrying amount of investments may not have been recoverable an impairment review is carried out by the Directors of the Company.

No events have been identified which indicated that the carrying value of the investments held were below the recoverable amounts.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Amounts owed by Group undertakings	553.3	546.6
Other receivables	9.4	5.4
	<u>562.7</u>	<u>552.0</u>

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

12. FINANCIAL ASSETS AT FAIR VALUE

	2017 £m	2016 £m
Available-for-sale financial investments	4.3	4.4
Financial assets at fair value through profit or loss	7.3	10.8
	<u>11.6</u>	<u>15.2</u>

	2017 £m	2016 £m
Financial assets at fair value through profit or loss		
Balance at 1 January	10.8	-
Reclassified from investments in subsidiary companies	6.6	6.4
Reclassified to investments in subsidiary companies	(3.2)	-
Fair value movements	(6.9)	4.4
Balance at 31 December	<u>7.3</u>	<u>10.8</u>
Available-for-sale financial investments		
Balance at 1 January	4.4	3.7
Fair value movements	(0.1)	0.7
Balance at 31 December	<u>4.3</u>	<u>4.4</u>

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at bank	7.0	26.3
	<u>7.0</u>	<u>26.3</u>

14. TRADE AND OTHER PAYABLES

	2017 £M	2016 £M
Amounts owed to Group undertakings	891.7	850.6
Other payables	2.3	2.0
Accruals and deferred income	3.9	1.3
	<u>897.9</u>	<u>853.9</u>

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

15. DEFERRED TAX

	2017 £M	2016 £M
Deferred tax assets recognised and movements therein are as follows:		
At 1 January	0.1	-
Credited to the Income Statement	0.1	0.1
At 31 December	<u>0.2</u>	<u>0.1</u>

Deferred tax assets in the above summary represent gross deferred tax assets in relation to compensation plans of £0.2m.

Reductions in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and to 17% from 1 April 2020 have been enacted and are reflected in the deferred tax asset and liabilities above.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16. RESERVES

Share premium account

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

Revaluation reserve

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

Profit and loss account

The profit and loss account comprises:

- results recognised through the Income Statement;
- actuarial gains and losses recognised in the Statement of Comprehensive Income, net of tax deducted at source; and
- dividends paid to equity shareholders.

17. SHARE CAPITAL

	2017 £m	2016 £m
Authorised		
1 (2016: 1) A Ordinary share of £0.125 each	-	-
1,949,910,776 (2016: 1,949,910,776) Ordinary shares of £0.125 each	243.7	243.7
	<u>243.7</u>	<u>243.7</u>
Allotted, called up and fully paid		
1 (2016: 1) A Ordinary share of £0.125 each	-	-
866,792,969 (2016: 866,792,969) Ordinary shares of £0.125 each	108.3	108.3
	<u>108.3</u>	<u>108.3</u>

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18. DIVIDENDS

	2017 £m	2016 £m
£0.025 per share (2016: £0.07 per share)	22.0	61.2
	<u>22.0</u>	<u>61.2</u>

19. 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 2017 or 2016.

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. RETIREMENT BENEFIT ASSETS

The Company operates a Defined Benefit Pension Scheme.

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

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

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

The latest triennial valuation of the JHGPS resulted in a deficit on a technical provisions basis of £29.0 million. As a result, the Group has agreed with the Trustees of the plan to make additional contributions of £8.4 million per year for four years starting from 2017 to recover the deficit.

The valuation of the JHGPS under IAS 19 Employee Benefits is based on full membership data as at 31 December 2014 and updated to the accounting date by an independent actuary in accordance with IAS19. The JHGPS assets are stated at their fair values as at 31 December 2017.

The company expects to contribute £9.5 million to the JHGPS in the year ending 31 December 2018, excluding contributions into the money purchase section.

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

Reconciliation of present value of plan liabilities:

	2017 £m	2016 £m
At 1 January	539.9	449.4
Current service cost	0.9	0.9
Interest cost	14.7	16.4
Actuarial loss/(gain) arising from experience	7.0	(2.0)
Actuarial (gain) arising from the demographic assumptions	(13.0)	(1.2)
Actuarial loss arising from changes in financial assumptions	28.4	99.0
Benefits paid	(49.8)	(22.6)
At 31 December	528.1	539.9

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

20. RETIREMENT BENEFIT ASSETS (CONTINUED)

	2017 £m	2016 £m
Reconciliation of the fair value of defined benefit scheme assets		
At 1 January	709.9	595.1
Interest credit	19.7	22.0
Contributions	9.5	2.1
Benefits paid	(49.8)	(22.6)
Administration costs	(1.0)	(1.0)
Actuarial gains from scheme assets	7.9	114.3
At 31 December	696.2	709.9

JHGPS Assets

The major categories of assets in the Final Salary Section of HGPS were as follows:

	2017 £m	2016 £m
Growth portfolio - diversified growth	143.6	147.4
Bond assets	517.7	529.7
Buy and maintain credit fund	33.3	31.8
Cash and cash equivalents	1.6	1.0
TOTAL PLAN ASSETS	696.2	709.9

Net retirement benefit assets recognised in the Statement of Financial Position

	2017 £m	2016 £m
Fair value of plan assets	696.2	709.9
Present value of plan liabilities	(528.1)	(539.9)
Tax at source	(20.8)	(24.1)
NET PENSION SCHEME ASSETS	147.3	145.9

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

20. RETIREMENT BENEFIT ASSETS (CONTINUED)

Actuarial losses recognised in the Statement of Comprehensive Income:

	2017 £m	2016 £m
Actuarial losses	(14.5)	(18.7)
Tax at source	3.6	8.4
Net loss recognised in the Statement of Comprehensive Income	(10.9)	(10.3)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2017 % per annum	2016 % per annum
Discount rate	2.6	2.9
Rate of increase in pensionable salaries	2.5	2.5
Inflation (RPI)	3.1	3.2
Inflation (CPI)	2.0	2.1
	Years	Years
Post-retirement mortality (expectancy of life):		
Male currently aged 60	28.3	28.6
Female currently aged 60	29.3	29.7
Male aged 60 in 15 years	29.4	29.9
Female aged 60 in 15 years	30.5	31.2

HGI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. RETIREMENT BENEFIT ASSETS (CONTINUED)

Amount, timing and uncertainty of future cash flows

The approximate impact of changing these main assumptions on the IAS19 defined benefit obligation at 31 December 2017 is as follows:

- Reducing the discount rate by 0.1% pa would increase the IAS19 defined benefit obligation by £10.0m (2016: £11.0m);
- Increasing both the RPI & CPI inflation assumptions by 0.1% pa would increase the IAS19 defined benefit obligation by £3.0m (2016: £3.0m); and
- Increasing the assumed life expectancies of members by one year would increase the IAS19 defined benefit obligation by £16.0m (2016: £16.0m).

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

The sensitivity analysis here may not be representative of the actual change as in practice the changes in assumptions may not occur in isolation.

The weighted average duration of the defined benefit obligations at 31 December 2017 for the HGPS is approximately 19 years (2016: 19 years).

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Board of Directors has not received as at 21 September 2018, being the date the financial statements were approved, any information concerning significant conditions in existence at the reporting date, which have not been reflected in the financial statements as presented.

22. CONTROLLING PARTY

The Company's immediate parent undertaking is Henderson Holdings Group Limited, a company incorporated in the United Kingdom and the ultimate parent undertaking and controlling party is Janus 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 2017 can be obtained from its registered office at 47 Esplanade, St Helier, Jersey, JE1 0BD or its website, www.janushenderson.com.