

Registered number: 2678531

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**HENDERSON INVESTMENT FUNDS LIMITED**

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

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**HENDERSON INVESTMENT FUNDS LIMITED**

**COMPANY INFORMATION**

<b>DIRECTORS</b>	C B Chaloner R W Chaudhuri J G Foggin H J de Sausmarez P C Wagstaff
<b>COMPANY SECRETARY</b>	Henderson Secretarial Services Limited
<b>REGISTERED NUMBER</b>	2678531
<b>REGISTERED OFFICE</b>	201 Bishopsgate London EC2M 3AE
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
<b>BANKERS</b>	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 2017

The Directors present the report and the audited financial statements of Henderson Investment Funds Limited ("the Company"), for the year ended 31 December 2017.

#### 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 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 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 30 May 2017, Henderson Group plc completed a merger with Janus Capital Group, Inc. This merger did not impact the principal activities or the financial statements of the Company for the year ended 31 December 2017.

#### 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 Group. 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 2017

#### 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 Janus Henderson'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 investment performance and service for our clients as efficiently as possible; the monitoring of emerging developments in the asset management industry, which might pose a threat to the Group's current business model; and maintaining a clear understanding of the Group's clients' needs through communication and interaction.

##### 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 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 Group to sustain losses. The Group 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 Group 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 2017**

**KEY PERFORMANCE MEASURES**

The Board of JHG 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 Janus 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 increased by £36.7m in the year. This is mainly driven by higher AUM in the OEIC and Investment Trust funds.

**Commission and deferred acquisition costs**

Commission and deferred acquisition costs have increased by £0.5m in the year. This is driven by higher AUM in the OEIC and Investment Trust funds. This was slightly offset 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 £42.5m in the year due to an increase in the Group operating expense recharges from other Group entities, due to a higher cost base and increased revenue earned by the entity.

**Financial Position and performance**

Total Shareholders' funds attributable to equity holders of the parent increased by £4.2m to £101.7m as at 31 December 2017. This was due to a profit for the financial year of £4.2m.

This report was approved by the Board of Directors on 19 April 2018 and signed on its behalf by:



**R W Chaudhuri**  
Director

## HENDERSON INVESTMENT FUNDS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

#### RESULTS AND DIVIDENDS

The profit for the financial year, amounted to £4,186,000 (2016: £11,440,000).

There were no dividends paid in the year under review (2016: £3,500,000).

#### DIRECTORS

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

C B Chaloner  
R W Chaudhuri (appointed 27 September 2017)  
J G Foggin  
G J Kitchen (resigned 31 March 2018)  
H J de Sausmarez  
M R Skinner (resigned 29 June 2017)  
P C Wagstaff

#### FUTURE DEVELOPMENTS

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

#### 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.

#### 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.

#### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's 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.

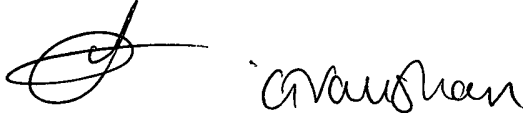
#### INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**HENDERSON INVESTMENT FUNDS LIMITED**

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

This report was approved by the board on 19 April 2018 and signed on its behalf by:



**Henderson Secretarial Services Limited**  
Secretary



## HENDERSON INVESTMENT FUNDS LIMITED

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

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 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 to 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 W Chaudhuri**  
Director  
19 April 2018

## HENDERSON INVESTMENT FUNDS LIMITED

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

#### Report on the audit of the financial statements

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##### Opinion

In our opinion, Henderson Investment Funds 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.

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##### 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.

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##### 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.

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##### 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 Strategic Report and 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.

## HENDERSON INVESTMENT FUNDS LIMITED

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

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and 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 Strategic Report and 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 6, 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](http://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**

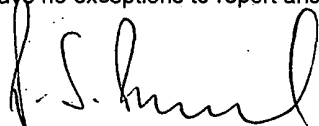
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##### **Companies Act 2006 exception reporting**

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.



Parwinder Purewal (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

19 April 2018

**HENDERSON INVESTMENT FUNDS LIMITED**

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

	Note	2017 £000	2016 £000
Gross fee income	3	305,560	268,898
Commissions and acquisition costs	4	(44,274)	(43,758)
<b>Net fee income</b>		<b>261,286</b>	<b>225,140</b>
Operating expenses	5	(257,214)	(214,725)
<b>Operating profit</b>		<b>4,072</b>	<b>10,415</b>
Finance income	9	1,121	1,785
Finance expense	10	(9)	(760)
<b>Profit before tax</b>		<b>5,184</b>	<b>11,440</b>
Tax on profit	11	(998)	-
<b>Profit for the financial year</b>		<b>4,186</b>	<b>11,440</b>

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

	2017 £000	2016 £000
Profit for the financial year	4,186	11,440
<b>Total comprehensive income for the year</b>	<b>4,186</b>	<b>11,440</b>

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 2017**

	Note	2017 £000	2016 £000
<b>Non-current assets</b>			
Intangible assets	13	1,060	1,581
		1,060	1,581
<b>Current assets</b>			
Financial assets at fair value through profit and loss	14	1,703	2,515
Income tax recoverable		452	727
Trade and other receivables	15	302,142	210,666
Available-for-sale financial assets		1	1
Cash and cash equivalents	17	8,047	6,592
		312,345	220,501
<b>Current liabilities</b>			
Trade and other payables	18	(211,714)	(124,577)
<b>Net assets</b>		<b>101,691</b>	<b>97,505</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	1,000	1,000
Profit and loss account	19	100,691	96,505
<b>Total equity</b>		<b>101,691</b>	<b>97,505</b>

The financial statements were approved and authorised for issue by the Board on 19 April 2018 and were signed on its behalf by:



**R W Chaudhuri**  
 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 2017**

	Ordinary share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017	1,000	96,505	97,505
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	4,186	4,186
<b>Total comprehensive income for the year</b>	-	4,186	4,186
<b>Contributions by and distributions to owners</b>			
Total transactions with owners	-	-	-
<b>At 31 December 2017</b>	<b>1,000</b>	<b>100,691</b>	<b>101,691</b>

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

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

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 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' ('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 Henderson Global Investors (Holdings) Limited and of its ultimate parent, Janus Henderson Group plc. It is included within the consolidated financial statements of Janus 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 2017

#### 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 2017

#### 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 2017

#### 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.

#### 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 2017

#### 3. GROSS FEE INCOME

Gross fee income comprises 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 the 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 shares and units. 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 turnover by class of business is as follows:

	2017 £000	2016 £000
Management and performance fees	276,340	234,271
GAC	29,349	27,549
Profit on dealing in units and shares	2,656	4,158
Other income	(2,785)	2,920
	<u>305,560</u>	<u>268,898</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

	2017 £000	2016 £000
Commission payable	44,274	43,758
	<u>44,274</u>	<u>43,758</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 2017

#### 5. OPERATING EXPENSES

The operating expenses comprise:

	2017 £000	2016 £000
Amortisation of intangible assets, including goodwill	521	521
Foreign exchange differences	(33)	615
Recharges from Group undertakings	256,561	213,407
Other expenses	165	182
	<u>257,214</u>	<u>214,725</u>

#### 6. AUDITORS' REMUNERATION

Auditors' remuneration of £34,377 (2016: £33,376) and £119,621 (2016: £250,000) 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's employee 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 2017

#### 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:

	2017 £000	2016 £000
<b>Emoluments</b>		
Total emoluments to Company Directors	6,558	4,208
Emoluments paid to highest paid Director	2,100	1,552
Pension contributions made in respect of the highest paid Director	34	28
Money Purchase Pension Scheme contributions	137	121
	<u>6,558</u>	<u>4,208</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 (2016: seven). Seven Directors of the Company received shares under the Group's long term incentive schemes (2016: six).

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.

#### 9. FINANCE INCOME

	2017 £000	2016 £000
Interest receivable on balances due from Group undertakings	1,114	1,772
Other interest receivable	7	13
	<u>1,121</u>	<u>1,785</u>

#### 10. FINANCE EXPENSES

	2017 £000	2016 £000
Bank interest payable	1	11
Interest on loans due to Group undertakings	8	749
	<u>9</u>	<u>760</u>

HENDERSON INVESTMENT FUNDS LIMITED

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

11. TAX ON PROFIT

	2017 £000	2016 £000
<b>CORPORATION TAX</b>		
Current tax on profits for the year	998	-
<b>Total tax charged to income statement</b>	<b>998</b>	<b>-</b>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

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

	2017 £000	2016 £000
Profit on ordinary activities before tax	5,184	11,440
Tax charge at the UK Corporation Tax rate of 19.25% (2016 : 20%)	998	2,288
<b>EFFECTS OF:</b>		
Group relief claimed for nil consideration and worldwide debt cap adjustments	-	(2,288)
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>998</b>	<b>-</b>

**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

	2017 £000	2016 £000
Nil per share (2016: £3.50 per share)	-	3,500
	-	3,500

HENDERSON INVESTMENT FUNDS LIMITED

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

13. INTANGIBLE ASSETS

	£000
<b>Cost</b>	
At 1 January 2017	2,603
<b>At 31 December 2017</b>	<u>2,603</u>
<b>Accumulated amortisation</b>	
At 1 January 2017	1,022
Charge for the year	521
<b>At 31 December 2017</b>	<u>1,543</u>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<u><u>1,060</u></u>
<i>At 31 December 2016</i>	<u><u>1,581</u></u>

The intangible asset as at 31 December 2017 relates to the Property Fund Investment Management Contract acquired from Old Mutual that is being amortised over five years. As at 31 December 2017 the remaining amortisation period was two years.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2017 £000	2016 £000
Box Units held	1,703	2,515
	<u>1,703</u>	<u>2,515</u>

HENDERSON INVESTMENT FUNDS LIMITED

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

15. TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Trade debtors	181,348	116,624
Amounts owed by Group undertakings	79,027	55,812
Other receivables	67	132
Accrued income	41,700	38,098
	<u>302,142</u>	<u>210,666</u>

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

Trade receivables comprise:

	2017 £000	2016 £000
Unit Trust/OEIC trustees/depositary receivables for units and shares liquidated	91,674	31,495
Receivables for unit and share sales	85,689	83,544
Other trade receivables	3,985	1,585
	<u>181,348</u>	<u>116,624</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:

Accrued income	32,705	27,322
	<u>32,705</u>	<u>27,322</u>

17. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Dealing Account	8,047	6,578
Cash at bank and in hand	-	14
	<u>8,047</u>	<u>6,592</u>



**HENDERSON INVESTMENT FUNDS LIMITED**

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

**18. TRADE AND OTHER PAYABLES**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	173,605	111,609
Accruals and deferred income	15,182	10,654
Amounts owed to Group undertakings	21,325	824
Other payables	1,590	1,468
Indirect tax payable	12	22
	<b>211,714</b>	<b>124,577</b>
	<b>211,714</b>	<b>124,577</b>

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

Trade payables comprise:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Unit Trust/OEIC trustees/depositary payables for units and shares created	141,123	79,368
Payables for units and share repurchases	32,482	32,241
	<b>173,605</b>	<b>111,609</b>
	<b>173,605</b>	<b>111,609</b>

**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. CALLED UP SHARE CAPITAL**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>AUTHORISED</b>		
5,000,000 (2016: 5,000,000) Ordinary shares of £1 each	<b>5,000</b>	5,000
	<b>5,000</b>	5,000
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
1,000,000 (2016: 1,000,000) Ordinary shares of £1 each	<b>1,000</b>	1,000
	<b>1,000</b>	1,000
	<b>1,000</b>	1,000

**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 2017 or 2016.

**HENDERSON INVESTMENT FUNDS LIMITED**

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

**22. EVENTS AFTER THE END OF THE REPORTING PERIOD**

The Board of Directors is not aware as at 19 April 2018, 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 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 OBD or its website, [www.janushenderson.com](http://www.janushenderson.com).