

CHAIRMAN'S STATEMENT

Market background and strategy

Our strategy of staying diversified and concentrating on higher margin businesses served us well in 2007. We continued to take on new business, we saw signs of recovery in the Institutional business and we managed the run-off of Pearl assets.

Benign markets and better investment performance during the first half of 2007 contributed to £0.4 billion of net inflows into higher margin products. Even when market conditions became difficult in the second half of the year, those net flows still amounted to £0.6 billion.

As for profits, in the year to 31 December 2007 profit (before tax and non-recurring items) from continuing operations was up 30% on 2006, at £106.7 million, at the top end of guidance we provided in November 2007. This was mostly due to Henderson Global Investors, where profit rose by 35%.

Although markets seem set to remain tough, we do not intend to change our organic growth strategy. However, we are looking out for small acquisition opportunities, funded from retained cash, to build up our higher margin businesses, such as Property, UK Wholesale and Hedge funds. In addition, in light of more challenging markets, we have taken some measured action to cut costs and protect profits. The Chief Executive provides more details on these actions in his Statement.

Capital planning and dividends

The Group also improved the efficiency of its balance sheet, raising £175 million of senior debt in May 2007. Given subsequent market developments, the timing of this borrowing was ideal, and we are now comfortable with the level of gearing on our balance sheet.

We made another substantial return of cash to shareholders last year, more than we had first indicated: roughly £250 million, through a special dividend and share consolidation. In addition to regular dividends, the Company has now returned more than £1.3 billion of capital to shareholders since it listed in 2003. As a result – and dividends aside – the Group does not plan any more distributions in the foreseeable future.

Since we started paying dividends in 2006, we have aimed for a dividend cover of approximately two times. The Board will be reviewing this policy in 2008, but broadly speaking we expect to increase the pay-out ratio prudently over the next few years.

The Board is recommending a final dividend in respect of 2007 of 4.44 pence per share, which we plan to pay on 30 May 2008 to shareholders on the register at 9 May 2008. That will bring the total ordinary dividend for 2007 to 6.1 pence per share.

The Board

There were no changes to the Board's membership last year. Now that all the Non-Executive Directors have started their second three year term of office, the Board will be conducting a detailed review of succession planning.

Share register

The make-up of the Group's share register has remained relatively stable in the past year. In February 2008, some 60% of the Group's shares were held by investors in Australasia, 36% by investors in Europe and the remaining 4% held by investors in the US and rest of the world.

Outlook

Although we expect markets to remain volatile and challenging in 2008, our diversity and the steps we are taking to improve efficiency should provide opportunities for further growth.

Thank you

The Board would like to thank the management and staff for their skill and hard work last year. And thanks too to our shareholders for their support and encouragement.



Rupert Pennant-Rea
Chairman, Henderson Group