

**Address by Sir Malcolm Bates,  
Chairman,  
to the HHG Extraordinary General Meeting  
21 February 2005**

Today we will outline, the Proposals to shareholders and the specific resolutions on which you are asked to vote.

In simple terms, we are proposing to sell the Life Services business for £1.07 billion (which is approximately \$2.57 billion Australian) and to return approximately £875 million (or \$2.10 billion Australian) of the cash we receive directly to shareholders<sup>1</sup>.

There are three proposals: first – to sell the Life Services business, second – to return cash to shareholders and thirdly – to reduce the investor base.

These proposals are reflected in the six resolutions on which shareholders will vote today.

**The first resolution deals with the proposed Sale itself.**

We have signed an agreement to sell the UK Life Services business, subject to shareholder and regulatory approval, to Life Company Investor Group (who I will refer to from here on as LCIG).

Let us look at what we are selling. The Life Services business is UK-based and is made up of the life insurance and pension books of Pearl, National Provident Life, NPI and London Life which are effectively closed to new business, the Service Company (which provides the administration services) and other subsidiaries including the unit linked life companies.

As at 30 June 2004, the Life Services business had an embedded value of some £1.3 billion and in the first half of last year, the business earned an operating profit before tax of £33 million. That was a significant turnaround from the losses recorded in 2003 associated with the life companies prior to the Demerger from AMP. I would like to take this opportunity to pay tribute to the management and staff in Life Services who have worked tirelessly to improve the value within the business.

When HHG listed just over a year ago, the Board said that a key part of HHG's strategy was to maximise shareholder value from the closed books of business. The Board believes that the Sale agreement on which you are asked to vote today accelerates the release of shareholder capital from the life business and

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<sup>1</sup> The term shareholder refers to holders of HHG PLC equity regardless of whether the equity is traded in London in the form of ordinary shares or in Australia in the form of CHESS Depository Interests

unlocks value now that may otherwise be realised over a longer period. Significantly for shareholders, it also removes exposure to the UK life insurance sector and its regulatory, solvency, mortality and surrender risks.

Specifically, the Sale offers three key elements of value for shareholders:

- first, cash consideration of £1.07 billion;
- secondly, a revised Investment Management Agreement on a 10 year term which provides revenue protection for the £26 billion in funds that Henderson Global Investors (Henderson) manages for the life companies; and
- thirdly, the transfer out of £1.5 billion of employee pension liabilities and an appropriate share of assets which relate to current and past employees of Life Services. This will significantly reduce future pensions risk for the smaller group going forward as we will retain only the liabilities and assets related to current and past Henderson and Towry Law employees.

LCIG is a UK-based company established to make long-term investments in the closed life fund sector. The existing management team and employees of Life Services, led by Ian Laughlin, Managing Director, will continue in place to ensure continuity of service to policyholders.

As we announced on 10 February 2005, the Sale consideration increased by £45 million to £1.07 billion. The increased offer from LCIG followed an approach to the HHG Board from another company, Resolution Life Group, whose provisional proposal included an indicative value of £1.15 billion (but was subject to extensive due diligence and discussion with third parties). The Board gave appropriate consideration to both proposals and concluded that LCIG's revised offer delivered certainty and improved value for shareholders at no further risk. Therefore we ended discussions with the other company and agreed an exclusivity period with LCIG. In any case, on 14 February 2005, this other company announced that it was no longer pursuing the acquisition of Life Services.

If shareholders approve the sale to LCIG today and the conditions as set out in the Circular are fulfilled and the remaining necessary approvals are achieved (including those in relation to the UK Financial Services Authority), we currently expect the Sale to complete in April 2005.

**The second resolution on which you are asked to vote is to change the name of the company.**

Once the sale completes, the remaining Group will be made up of the asset management business, Henderson Global Investors, and the financial advisory business, Towry Law, and, to reflect this, we propose to rename the company, Henderson Group plc. Roger Yates, our Chief Executive, will talk about the new Group in more detail in a few moments.

**Resolutions three through to six refer to the steps required to implement the proposals to return capital to shareholders.**

Once we receive the cash, we intend to apply £875 million directly to shareholders through two proposals: these are known as the Return of Cash proposal and the Reduction of Investor Base proposal.

The resolutions to return the proceeds may look very complicated and for that I apologise. No doubt many of you will wonder why it is that they need to be so complex. HHG's position as a UK company with a predominantly Australian investor base puts us in a unique position. Many things that we would like to undertake would be simpler if we only had to implement the proposals in one country. However, our listings in the UK and Australia naturally bring added complexity. In addition, our objectives in structuring the Proposals have been to ensure that holders of shares and CDIs are treated equally and that, to the extent possible, all holders receive the Sale proceeds by way of a return of capital, which should be more tax efficient for most shareholders than an income distribution. All of this has then necessarily made the resolutions more complex.

So, under the Return of Cash Proposal, approximately £775 million will be distributed as a pro-rata return of cash in exchange for the cancellation of 52 out of every 100 shares held. I will deal with the other £100 million in a moment, as that concerns the Reduction of Investor Base proposal.

**Resolution 3 relates to the cancellation of shares needed to execute the Return of Cash proposal.**

The cancellation price is 55 pence per share.

The price was set by reference to the closing HHG share price on the 16 December 2004 (as the most practicable date prior to the publication of the Circular to shareholders). We have subsequently seen the share price move up and down in the market. However, the cancellation price and ratio will not be adjusted as they are simply designed to ensure that a total of approximately £875 million under the two proposals is returned to holders.

**Resolutions 4, 5 and 6 relate to the share capital consolidation, cancellation and sub-division steps required to implement the Reduction of Investor Base proposal.**

Following the Sale, share cancellation and the return of cash, the remaining Henderson Group plc will be a smaller organisation for which servicing over 875,000 shareholders could be a considerable constraint.

Therefore, we propose to apply about £100 million of the proceeds to reduce the investor base so that the number of shareholders falls to more serviceable levels of around 150,000. This will enable Henderson Group plc going forward to cut costs by up to £4 million before tax each year.

The way this works is that, following the Return of Cash proposal, all the remaining shareholdings will be consolidated on a 500 for one basis.

Any fractional entitlements arising as a result of this consolidation will be cashed-out, at a 5% premium to the average of 20 days closing market price on the London Stock Exchange prior to the Record Date. The consolidated 'whole' shares will then be divided back into 500 shares each. As a result of the cancellation of these fractional entitlements, holders with fewer than 1,041 shares on the Record Date (or 500 shares after the Return of Cash proposal takes effect) will be cashed out completely, while others will retain shares and may receive some cash for their fractional entitlement.

However, it is important for all shareholders to understand that anyone, who does not want their fractional entitlement to be cashed-out, can elect to opt out of this second stage at any time before the Record Date, which is expected to be Friday 15 April 2005, and they will not be affected by the Reduction of Investor Base.

To help you to understand how the proposals may affect you, a handy calculator for shareholders is provided on the HHG website, [www.hhg.com](http://www.hhg.com). This calculator gives an indicative guide showing how your particular holding could potentially be affected by the Proposals with or without the Election.

If shareholders approve the return of capital proposals today and the Sale completes, then we will seek to obtain the necessary approvals to the capital reductions (resolutions 3 and 5) from the High Court of England and Wales.

The expected timetable outlining the effective dates for each resolution, Court dates and conditional dealings is provided in detail on page 7 of the Circular – I ask all shareholders to note carefully the specific timing of each step.

If all conditions are met and the Sale completes by April 5<sup>th</sup>, then we expect to issue cheques and statements to shareholders by 29 April 2005. I would like to remind you that only shareholders who are on the register at the Record Date will take part in these proposals. If any of the timings change, then we will announce the revised details through the London and Australian stock exchange platforms and make the updates available at [www.hhg.com](http://www.hhg.com).

At this point, I would like to take the opportunity to share with you some of the more common questions that we have been asked by individual shareholders in recent weeks.

**First - why can't I get the cash and keep all my shares - is this a dividend?**

This is not a dividend. We are proposing to return the majority of the Sale proceeds to shareholders by cancelling shares for cash. Currently your shares are an investment in the whole HHG group made up of Henderson Global Investors, Life Services and Towry Law. If we sell the largest part of the business, Life Services, and instead of keeping the cash, give most of it back to

shareholders, the remaining group will naturally be smaller. This is reflected by reducing the number of shares in issue.

Following on from that is another question - **‘why are the shares being cancelled at 55 pence each and not at a higher price?’**

The proportion of shares to be cancelled was set on 16 December 2004 as was the price at which it will occur. The Return of Cash price cannot be adjusted when the market price moves up and down, as it has done since, because the proportion and the price were fixed so that £775 million is returned under the Return of Cash proposal and therefore, in total about £875 million could be returned across both Proposals .

We have also been asked about the third proposal, as in **‘Why is it necessary to reduce the number of shareholders?’** or, in effect, **‘why will some smaller shareholdings be cancelled?’**

In looking at the Sale and Return of Cash, the Board gave careful consideration to the costs of servicing all of our shareholders - those costs include issuing annual reports, mailing notice of meeting and recording data on the share register. I mentioned earlier, that at the end of the year, we had over 875,000 shareholders as a result of the Demerger when each AMP shareholder received shares in HHG, most of whom have very small holdings. Such a large investor base is unusual for a company of our current size and this would be even more so for Henderson Group’s expected size and profitability, where the cost of servicing so many would be a substantial burden. Therefore, the Board proposes to reduce the number of shareholders to a more serviceable level – although 150,000 will still be a very large investor base. However, that said, anyone who does not wish to be affected by the Reduction of Investor Base proposal can elect to opt out at any time before the Record Date which is expected to be Friday, 15 April 2005.

As regards the recent increase in the sale price by £45 million, we have been asked **‘could this amount be returned to shareholders?’**

The short answer is yes - but not right now. We would have liked to return this directly to shareholders as part of the current proposals. However, as the adjustment to the price occurred so close to the EGM, it was not possible in advance of this meeting to amend the required special resolutions in order to do so. Therefore, to implement the Proposals we expect to return the £875 million in April 2005 and then we intend, during 2006, to return the additional consideration (should it not be required by the business) to our shareholders at that time. We'll look to do that as efficiently as practicable.

And lastly, in the UK some of our shareholders are also policyholders and have asked us **‘what will be the impact of the Sale on policyholders?’**

For the individual life companies and the policies, it is business as usual. We do not expect any changes to the policies or regulatory capital within the life companies as a result of the Sale. In addition, the existing staff and management of Life Services will be staying with the business to service policyholders after completion.

So, overall in its assessment of the transaction, the HHG Board firmly believes the proposals to be in the best interests of shareholders and the Directors of HHG will be voting in favour of the proposed Sale and return of capital proposals.

We are pleased to see that recommendations to vote in favour have also been made by shareholder bodies and advisory services including the Australian Shareholders' Association.

That concludes all I wish to say for the moment, but before we proceed to the discussion and voting I would like to ask Roger Yates, Chief Executive, to outline what the Henderson Group will look like following completion.

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