

**Address by Rupert Pennant-Rea,  
Chairman,  
to the Henderson Group Annual General Meeting  
9 June 2005**

Our first year as a dual-listed company was challenging and rewarding. We have built a strong independent Group, and the financial results show a big improvement. For the year to 31 December 2004, the Group made a profit before tax\* of

£41 million, compared with a loss of £864 million in 2003. The change was helped by good growth in profits in Henderson Global Investors and a turnaround in Life Services, where we improved efficiency, embedded value and capital strength.

We took various steps during 2004 to improve the capital position and operational structure of the company. We moved out of non-core or non-performing businesses, selling our investment in Virgin Money and closing Towry Law International to new business.

We used the proceeds from another placing of ordinary shares to buy out the Pearl holding in HHG Invest, and this allowed us to take full control of Henderson Global Investors and also strengthen the balance sheet.

The big event of the year, though, happened at the end - the proposed sale of the Life Services business, which was overwhelmingly approved at the Extraordinary General Meeting in February this year. After completing the Sale in mid April and getting Court approval for the share cancellation, the Group returned £871 million to shareholders.

We did this through two transactions, one that we called the Return of Cash and the other the Reduction of Investor Base. Under the Return of Cash, all shareholders had 52% of their holdings cancelled in return for a cash payment of 55 pence per share (roughly A\$1.34). Under the second transaction, the Reduction of Investor Base, unless a shareholder opted out, up to 499 shares of each remaining holding was cancelled at 64 pence per share (roughly A\$1.57).

The combined effect of this was that almost 700,000 shareholders had their entire holding cashed out at an average price of 59.3 pence per share (or just over A\$1.45). By way of comparison, the average share price over the month immediately before the announcement of the proposed Sale was 49 pence on the London Stock Exchange and A\$1.19 on the Australian Stock Exchange.

All this was a complicated exercise, but it went very smoothly. It produced a shareholder register that, although still large, is more or less consistent with the size of the new Henderson Group. We now have about 155,000 shareholders, of whom almost 143,000 are in Australia or New Zealand.

Nearly 154,000 of our shareholders own 10,000 shares or fewer, and together they hold 11% of the Company's issued share capital.

With such major changes to the Company's structure, it made sense to change its name. The Henderson Group now properly reflects the strategic focus that we place on developing Henderson Global Investors as a leading fund manager.

The Group is well capitalised and has no debt. We will be disciplined and prudent in the way we use capital, ensuring that we have the assets needed to meet regulatory and working capital requirements and to back provisions and contingencies. Capital not required to develop the business will be returned to where it belongs – with the shareholders.

Before the Demerger, the Board took the view that dividends should only be paid out of any cash earnings above and beyond what the business needs for operational purposes. We expect to pay a final dividend in early 2006, in respect of the financial year 2005.

To do this, we will shortly be contacting shareholders to get bank account details so that dividends can be paid by direct credit. This is a secure, convenient and economical way for shareholders to receive their dividends. It minimises the risk of loss, fraud or theft - and it saves the company some money, so it benefits all shareholders. If any shareholders do not provide account details, their dividends will be retained by the company until we do have the relevant details. If that sounds a bit draconian, I can only say that an electronic transfer is better than sending off a dividend cheque without the certainty that it will reach the right person.

I receive a fair amount of correspondence and feedback from shareholders directly, and I welcome that. It gives me a sense of the issues that matter to you, so I thought it would be helpful to touch on some that have come up recently.

First, how did we set the share price at which capital was returned to shareholders, and how did we calculate the number of shares to be cancelled?

The answer is that we aimed to return £775 million to shareholders with the Return of Cash transaction, and the only way we could fix that amount was by setting a price per share in December 2004, so that the proposal documents could be printed and posted to shareholders. At that time, the share price was, in round numbers, 55 pence. This automatically determined that 52% of shares would be cancelled so as to hit our target of £775 million going back to shareholders.

The second transaction, the Reduction of Investor Base, was designed to cash-out holders with a remaining holding of fewer than 500 shares. This was expected to return around £100 million to shareholders - and here the Board

was happy to be less precise, because the amount of cash involved was much smaller than the £775 million I described a moment ago. We set the price for this second transaction using the average closing price on the London Stock Exchange over the 20 business days immediately before the Record Date, plus a 5% premium. As you would expect, this price was higher than the price before the sale of Life Services was announced – and in fact it was 64 pence. Another question, leading on from that - why was it necessary to reduce the number of shareholdings on the register?

When HHG demerged from AMP in December 2003, we inherited almost 974,000 shareholders. A year later this had come down slightly, but it was still 875,000. The costs of servicing this number of holders, including the production and posting of the annual report and Annual General Meeting documents, would be completely disproportionate to the size of the new Group. By way of comparison, BP – one of the largest companies in the world, with a market capitalisation of about £117 billion – has around 1.3 million shareholders, not many more than we had. As a result of reducing our number of shareholders, we expect to make savings of up to £4 million a year, roughly 10% of the pro-forma profits for the new Group.

We didn't actually compel small shareholders to sell their shares. Everybody could choose to opt out of the plan - and out of the 5% premium - and roughly 25,000 chose to do just that. Fair enough: we are flattered they have decided to stay.

It's time for me to shut up, but I do want to conclude by saying that your Board believes that much has been achieved in the past year. The Group has moved from having complicated structures, non-core assets and problematic inter-company ownership to today's Henderson, with a healthy asset manager, a simple corporate structure and a stronger balance sheet.

I am pleased that the new Henderson has the approval of our shareholders, and I would like to thank you for your support and encouragement during the year.

\* \* \*