

**Address by Roger Yates,
Chief Executive,
to the Henderson Group Annual General Meeting
11 May 2006**

As the Chairman has outlined, 2005 was a year in which Henderson Global Investors delivered good growth in profits, we took the steps necessary to get the Company firing on all cylinders and we completed the disposal of non-core businesses.

Profit before tax from continuing operations in the Group rose by 20% to £63.4 million, helped by eight months worth of Corporate cost savings and higher returns on Corporate cash. Within Henderson Global Investors, now the Group's only business, profits rose by 9% on 2004 to £62.9 million, due to improved margins and higher equity markets. Over the year, operating expenses were slightly higher, although higher revenues and performance fees generated a further improvement in the cost to income ratio to 75.5% from 76.4% in 2004. Assets under management were 2% lower at £67.7 billion, due to anticipated outflows from Pearl Group and the Institutional book of business.

During the year, we also took steps to revitalise Henderson, particularly as regards investment performance and fund flows into the higher margin areas of our business. We hired a number of key investment professionals at various points during the year, and these changes to our investment line-up contributed to a marked improvement in investment performance. Overall, 55% of our funds beat their benchmark but performance was strongest in the highest margin product ranges. In particular, our Absolute Return Funds, Mutual Funds sold into Europe and North America, and Property funds were all stand-out performers.

This in turn had a favourable impact on high margin fund flows, with some £1.9 billion of higher margin products sold. As regards assets under management, these positive flows were offset by larger outflows from Pearl Group and the Institutional clients. By contrast, the impact on revenues and profits was positive, reflecting the higher margins of business gained.

Overall total fee margins rose to 37bps from 34bps in 2004. This reflected the changing business mix, particularly the shift towards specialist products, including Mutual Funds, Absolute Return Funds, Property and Private Capital. For 2005 as a whole, these specialist products accounted for 24% of assets under management, but 62% of revenues. This compares to 21% of assets under management and 52% of revenues in 2004. Therefore, the key to revenue and margin growth in Henderson, is the pace at which we can add assets and revenues in the specialist, high margin areas versus the run-off of lower margin business. Overall, it is likely that assets under management will fall in 2006, while revenues and profits rise – as was the case in 2005.

We also benefited from higher performance fees at £26.5 million, compared to £18.7 million in 2004. Importantly, these fees were generated across a range of asset classes and clients which, allied to the creation of more opportunities to earn these fees in future, should make revenues from performance fees a more sustainable feature of Henderson's earnings.

Turning now to Pearl Group, we announced on 3 March 2006 that Pearl had raised a number of issues with us as regards the management of their assets and that we were investigating those. We hope to update our shareholders and the wider market in due course on the outcome, of what have so far been, constructive discussions.

There are three more items worthy of comment before touching on business trends so far in 2006. First, as the Chairman noted, we have completed the sale of Towry Law UK. At the same time, and without admission of liability to investors, we also agreed a scheme with the Hong Kong Securities and Futures Commission to cover various products sold by Towry Law International. The costs of the scheme should be within the provisions previously raised by the Group.

Second, we are seeking to address the accounting deficit in our Defined Benefit Pension Scheme, in conjunction with the planned return of capital to shareholders. Besides the existing £40 million provision held for this purpose, we anticipate that most of the proceeds of the sale of Towry Law UK will be required to tackle the deficit.

Third, the return of capital we have previously indicated to shareholders will be £200 million and will take place during the second half of the year. We will then look carefully at our financial resources, our regulatory

capital position and the new EU rules on capital, to assess what additional return of capital we might do in 2007. We will update you on this in early 2007, once the new rules are in operation.

As regards Henderson's business in 2006 thus far and the outlook for the rest of the year, there are a number of positive developments. Fund flows into key high margin areas have accelerated, helped by good performance. Thus, flows into our Mutual Funds are already double the level reached in the whole of 2005; our Absolute Return Fund sales should gather momentum helped by new product launches planned for the second half of 2006; and we are steadily investing Property assets awarded by clients into the market and thereby earning fees on these assets. As anticipated, fund outflows have continued from Pearl and from the Institutional book of business but the revenue and profit impact of these outflows is more than offset by flows into higher margin areas. Finally on fund flows, when we sold our 50% joint venture holding in Virgin Money Group in April 2004, we indicated that we expected that we would continue to manage the assets of Virgin Money Group until the end of 2005. We now expect these assets, which amount to £2.5 billion, to be withdrawn in the next few months. However, this will have only a marginal revenue and profit impact.

As a result, we are on track to achieve or improve on our cost to income ratio target of 74% for Henderson Global Investors for the year, assuming benign markets. Within this, costs will likely be higher principally due to higher bonus provisioning reflecting improving profitability. However, at the profit line this should be offset by higher revenues from higher margin fund inflows and higher equity markets. Costs at the Corporate level are expected to be approximately £2 million higher than our previous guidance of £10 million of business-as-usual Corporate costs for the full year 2006. This is due to costs incurred in relation to ongoing discussions with Pearl and costs incurred on the potential acquisition opportunity. Notwithstanding these higher costs and the adverse impact of the return of capital on interest receivable, we anticipate good growth in Group profits for the year, I should add of course that this outlook will depend on a benign market background.

In summary, the business is in good shape. We have completed the disposal of non-core assets, settled issues relating to Towry Law International and established ourselves as a pure-play asset manager. Investment performance is improving, fund flows into higher margin products are strong and the cost to income ratio is on target. Overall the prospects for the year look good.