

**Address by Rupert Pennant-Rea,
Chairman,
to the Henderson Group Annual General Meeting
11 May 2006**

The Group made further good progress in 2005 in transforming into a pure fund management group, while also producing an encouraging set of results.

Since the demerger from AMP in 2003, part of our strategy was to move out of non-core businesses and concentrate on fund management. In addition to the sale of the Life Services business, which I spoke about at last year's AGM, in December 2005 we announced the sale of Towry Law UK for £37.2 million. The sale was completed on 3 May. The sale proceeds will strengthen the Group's cash position in the short-term, however we expect that most of it will be put into the Company's Defined Benefit Pension Scheme, which will retain the accrued liabilities of past and present Towry Law employees.

Profit before tax from continuing operations – that is, profit from Henderson Global Investors and the Head Office activities we term Corporate – was £63.4 million in 2005. This is an increase of 20% on 2004 and was driven by improvements in performance and management fees in Henderson Global Investors, a reduction in Corporate staff costs and shareholder servicing costs, and higher returns earned on Corporate cash.

We also invested in our staff and systems, and we have recruited a number of key individuals. All this spending is devoted to improving the performance of Henderson Global Investors. I will now move on to a topic of real significance for the Company and all its shareholders. As you know, we have always said that capital not needed to develop the business will be returned to shareholders. We had initially planned on returning the surplus in the first half of this year, but this was delayed while we considered a possible acquisition.

Let me say something about this potential acquisition – though I can't say much, as we are still bound by confidentiality rules. Certainly it would have made strategic and financial sense to buy this particular fund manager, but only on terms that the Board would have been prepared to recommend to you, the shareholders. Unfortunately, these terms were not acceptable to the sellers, so we withdrew from the auction.

We are not currently looking at any other potential acquisitions. If, however, another opportunity did come along in the short-term, it would obviously have to bring more benefits for shareholders than we can provide by returning surplus capital to you.

You will appreciate that it takes a lot of time to consider an acquisition, so we weren't able to organise a capital return to coincide with the Notice of this AGM. But I can assure you that we intend to return £200 million in the second half of 2006.

The way we want to do this is through a capital reduction – the same method we used after we sold the Life Services business. This means that, in return for a cash payment, every shareholder has the same percentage of their shares cancelled – which, for the majority of our shareholders, is the most equitable and tax efficient way to receive the money. However, procedurally it isn't simple, as a capital reduction requires the approval both of a Court in the UK and of our shareholders at an EGM. We are currently waiting for the Court to provide us with a date for hearing our application and we hope to get dates that will enable us to return capital by October. As soon as the Court dates are fixed, we will be writing to you and providing you with more information, including the timing of the EGM.

As for the Group's capital, we continue to prepare for the new EU regulations that are being introduced on 1 January 2007 under the Capital Requirements Directive. We cannot yet be sure of the detail, as the rules are still being finalised, but we are not expecting an increase in our overall regulatory capital requirement. Indeed, we are considering taking on some debt,

as our balance sheet could easily manage that, and will keep you informed of our thinking in this area.

Moving on to another subject, the Group has reached agreement with the Hong Kong Securities and Futures Commission on how to deal with various claims arising from the alleged mis-selling of products to clients of Towry Law International. We made an announcement about this on 2 May. Henderson Group was of course not involved in the mis-selling, which was something we inherited as part of the demerger from AMP. We have taken a responsible approach to this issue, and at the moment it looks as though the provisions we had in place at the end of last year will be enough to cover our expected liabilities.

Part of the reorganisation of the business after the sale of the Life Services business also included a review of the remuneration of the Chief Executive. The Remuneration Committee wanted to ensure that his total package continues to reflect the market in which the Group operates.

The Committee started with the view that exceptional performance, whether individual or corporate, should be rewarded through bonus and incentive schemes rather than base salary. This is increasingly the norm in the UK fund management industry, and ensures that the interests of senior executives are closely aligned to those of shareholders.

In that spirit, we negotiated new arrangements with the Chief Executive. The detail is contained in the annual report, but essentially his base salary has come down by just over 40% and the maximum Short-Term Incentive payment that he could earn has gone up to 600% of his new, reduced salary. We are also asking today for shareholder approval to increase the cap on LTIP grants to the Chief Executive from 300% of annual salary to 500%. The Committee wants to maintain the absolute value of the LTIP awards that can be made to the Chief Executive, which means we need to increase the maximum multiple of salary that can be applied to LTIP awards. The maximum will not be increased in the case of other employees, and should shareholders approve this increase, the Remuneration Committee proposes to make an LTIP award to the Chief Executive after the AGM.

I have left to the end what you probably wanted to hear about first: the dividend – our maiden dividend. The Directors are recommending the payment of 1.39 pence per share for the six months ended 31 December 2005. For holders of CDIs, the A\$ equivalent will be around A\$ 3.28 cents and the NZ\$ equivalent will be around NZ\$ 3.70 cents per CDI. We are aiming for a sustainable flow of dividends in the future, so this is a prudent start. We plan to pay the dividend on 26 June to shareholders on the register at 16 June. We have lodged a separate announcement a week ago confirming the relevant dates and also the exact Australian dollar and New Zealand dollar equivalents for the dividend. For those shareholders who have not yet provided us with their bank account details, we strongly encourage you to do so, as this is a safer, more convenient way for you to receive your dividends.

2005 was a year of considerable change for the Group. Thanks to the skills and commitment of our staff, we feel confident about the Group's prospects. Thank you also to our shareholders for your support and encouragement during the year.