

## **Summary of topics covered through questions at the Henderson Group AGM**

**11 May 2006**

### **What do "other expenses" in Note 5.1 of the 2005 Summarised Annual Report relate to?**

These expenses, which amounted to £36 million in 2005, relate to a range of items that do not fall into the other categories of expense set out in the schedule; for example, marketing, legal and professional expenses and travel and entertainment.

### **You mentioned that most of the proceeds from the sale of Towry Law UK will be required to tackle the accounting deficit of the Defined Benefit Pension Scheme. Can you update us further on the Henderson Group Pension Scheme?**

The Defined Benefit section of The Henderson Group Pension Scheme has been closed to new entrants since November 1999. Our Defined Benefit scheme is undergoing an actuarial review, which is likely to lead to an increase in the liabilities of the scheme from the position assumed in 2005, when the scheme was split as part of the sale of the Life Services business. This is because we are expecting the mortality profile of the members to improve.

The deficit for the Henderson Group Pension Scheme stood at £46 million at the end of 2005. We already hold a £40 million provision for this purpose. We expect to reduce the deficit by putting an additional amount into the scheme, which we are likely to fund with most of the proceeds from the sale of Towry Law UK.

### **You are changing the Long-Term Incentive Plan (LTIP) to go up to 500% of basic salary from 300%. Are the Chief Executive and Chief Financial Officer being given top-up awards?**

The multiple of basic salary is the maximum that can be awarded to an employee on an annual basis. The increased maximum of 500% will apply only to the Chief Executive, because of the changes to his remuneration arrangements negotiated by the Remuneration Committee following the sale of the Life Services business.

The Remuneration Committee structured the Chief Executive's new package to tie his compensation more closely to performance. Essentially, the Chief Executive's base salary was reduced by just over 40% and the maximum Short-Term Incentive payment that he can earn was increased to 600% of his new, reduced salary.

The Remuneration Committee wanted to maintain the absolute value of the maximum in LTIP awards that could be made to the Chief Executive. Because LTIP awards are granted as a multiple of base salary, to achieve this, that multiple needed to be increased. The multiple was not increased for other employees.

**What is the board's thinking on a suitable and satisfactory dividend payout ratio going forward?**

We are aiming for a sustainable flow of dividends, so we have started prudently with a dividend cover of two times. We will be looking at our dividend policy in more detail during the course of this year.

**Funds under management were down 14%, and 55% of the funds met or exceeded their performance benchmarks. What is the trend in investment performance in all your assets?**

During the year, we 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, an improvement on the previous year. Importantly, 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 had a favourable impact on high margin fund flows, with some £1.9 billion of higher margin products sold. Regarding assets under management, these positive flows were more than offset by outflows from Pearl Group and other institutional clients. By contrast, the impact on revenues and profits was positive, reflecting the higher margin business gained.