

### A. UK taxation

The following is a general description of certain UK tax considerations relating to the Return of Cash proposal. The description is based on current law and published HM Revenue & Customs (HMRC) practice in the UK as at the date of this Circular. It does not purport to be a complete analysis of all tax considerations relating to the Ordinary Shares or the Return of Cash proposal. It only relates to the position of Shareholders who are resident (and, in the case of individuals, ordinarily resident) in the UK for tax purposes, who hold their Ordinary Shares beneficially as an investment (other than under a personal equity plan or an individual savings account), who are not connected with Henderson Group, and who have not acquired their Ordinary Shares by reason of their or another's employment. It does not consider the position of CDI Holders. The comments below may not apply to certain classes of taxpayer, such as dealers, insurance companies and trusts.

**Shareholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice without delay.**

#### The Return of Cash proposal

##### (i) Division into capital and income elements

The payment received by Shareholders in respect of the cancellation of their Ordinary Shares under the Return of Cash proposal will be divided for tax purposes into two parts: a capital element; and an income element equal to the remainder of the payment under the Return of Cash proposal. The capital element should be taxed by reference to the taxation of chargeable gains, while any income element should be taxed by reference to the taxation of income.

The Company has asked HMRC to confirm that it will accept, in assessing the tax liability of a UK individual, that the capital element may be calculated by reference to the average of the total new consideration received by Henderson Group in respect of all of the Ordinary Shares in issue, as they confirmed for the return of cash in May 2005. Henderson Group considers that the average of such consideration should be approximately 58 pence per Ordinary Share. The Company has asked HMRC to confirm also that an Ordinary Shareholder may, alternatively, choose to calculate the capital element by reference to the history of that Ordinary Shareholder's own holding. The outcome of the discussions with HMRC will be made available on our website in due course ([www.henderson.com](http://www.henderson.com)).

##### (ii) Taxation of capital gains

Shareholders may be liable to UK taxation on capital gains (CGT) on the capital element of the payment to them on cancellation of their Ordinary Shares under the Return of Cash proposal. The amount of any gain, and any tax liability, will depend on the individual circumstances of the Shareholder concerned.

Generally, only Shareholders who are resident or ordinarily resident in the UK, or who carry on a trade, profession or vocation in the UK through (in the case of individuals) a branch or agency or (in the case of corporate shareholders) a permanent establishment to which the Ordinary Shares are attributable, will be within the charge to CGT. There are special rules, however, for individuals who are temporarily non-UK resident.

Shareholders who received shares in AMP Limited on the demutualisation of AMP Society and received Ordinary Shares in exchange for their shares in AMP Limited which were cancelled on the subsequent demerger of Henderson Group will not have any base cost in those Ordinary Shares.

If the capital element of the payment received by the Shareholder is "small" compared with the value of their holding of Ordinary Shares and their base cost is not less than the payment received, the Shareholder will normally be treated as not having made a part disposal. In that case, the payment would instead normally be deducted from the base cost of that holding. If the capital element is "small" but exceeds the relevant Shareholder's base cost, the Shareholder may elect to reduce his base cost to nil and to be taxed on the excess. A Shareholder with no base cost (including as envisaged in the previous paragraph) should (depending on his particular circumstances) be taxed on the full amount of the capital element, subject to the following paragraph. HMRC generally takes "small" to mean 5% or less of the value of the relevant holding, or £3,000 or less.

Generally however:

- the income element (dealt with below) will be ignored for CGT purposes;
- subject to the comments above, the capital element in respect of the Ordinary Shares cancelled will be treated as arising from a part disposal of their holding of Ordinary Shares, which may give rise to CGT. Corporate Shareholders are taxable on all of their chargeable gains with relief available for indexation allowances and incidental costs of sale. An individual Shareholder will not have a liability to CGT on cancellation of his or her Ordinary Shares if the chargeable gain (as reduced by any applicable taper relief) when aggregated with other realised chargeable gains in the relevant year of assessment, does not exceed the annual CGT allowance. The annual CGT allowance for the tax year to 5 April 2007 is £8,800; and
- to the extent that Ordinary Shares are retained rather than cancelled, their holder will not be treated as disposing of them for CGT purposes.

Shareholders' attention is also specifically drawn to section (v) below (Anti-avoidance provisions).

##### (iii) Taxation of income element

The income element will be regarded as a distribution made by Henderson Group.

No tax will be withheld from such payment by Henderson Group.

UK resident corporate Shareholders will generally not be subject to corporation tax on the income element of the payment made to them on cancellation of Ordinary Shares under the Return of Cash proposal.

Shareholders who are individuals resident in the UK will generally be liable to income tax on the income element of such payment, but will be entitled to a tax credit:

- For such an individual Shareholder who is liable to income tax at no more than the basic rate (including taking into account the receipt of the income element), that tax credit should satisfy in full that Shareholder's liability to income tax on the income element.
- For such an individual Shareholder who is liable to income tax at the higher rate (including taking into account the receipt of the income element), the related tax credit will not fully satisfy that individual Shareholder's liability to income tax on the income element and the Shareholder will have to account for additional tax equal to 25% of the cash received to the extent that the income element, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax.

##### (iv) Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable by Shareholders on the cancellation of the Ordinary Shares.

##### (v) Anti-avoidance provisions

Shareholders should be aware of an anti-avoidance provision, section 703 of the Income and Corporation Taxes Act 1988, which HMRC may seek to apply where a person obtains a tax advantage in consequence of a "transaction in securities". Were HMRC to seek to apply section 703 in respect of the Return of Cash proposal, the effect may be to tax amounts received or a proportion, or further proportion, as the case may be, of such amounts, as income rather than capital. For any particular Shareholder, HMRC would have to establish that all the conditions of section 703 were satisfied before it could be invoked and, at that stage, it would be open to the Shareholder to demonstrate that the relevant transaction or transactions had been carried out for bona fide commercial reasons or in the ordinary course of making or managing investments and that the avoidance of tax had not been a main object of the relevant transaction or transactions (the  *motive test* ). If the motive test were satisfied, section 703 would not apply.

**Shareholders who are in any doubt about the applicability of this or other anti-avoidance provisions to their particular circumstances are advised to consult their own professional advisers immediately regarding their tax position.**

## **B. Australian taxation**

The following is a summary of the Australian tax consequences of the Return of Cash for Australian resident CDI Holders (“Australian CDI Holders”). The summary below is based on current law and the published practice of the ATO as at the date of this Circular.

The comments below apply to Australian CDI Holders that hold interests in Ordinary Shares through CDN. The Australian tax consequences should be the same for Australian resident Shareholders that hold Ordinary Shares traded on the London Stock Exchange.

The summary does not represent a complete analysis of all the potential Australian tax consequences. The summary only covers the Australian tax consequences for Australian CDI Holders that hold CDIs on capital account. It does not apply to Australian CDI Holders that hold their CDIs as trading stock or revenue assets. Nor does it apply to Australian CDI Holders that hold 10% or more of the CDIs in issue. Australian CDI Holders should seek their own professional advice as to the Australian tax consequences for them.

Where payments under the proposals are received in Pounds Sterling rather than Australian Dollars, a foreign exchange gain or loss may arise. This should only apply to Australian resident Shareholders that hold Ordinary Shares traded on the London Stock Exchange, who should seek their own advice in this regard.

### **The Return of Cash**

No part of the payment received by Australian CDI Holders in respect of the cancellation of their CDIs is expected to be treated as a dividend for Australian tax purposes. Henderson Group is seeking confirmation from the ATO that the Return of Cash proposal will be treated as a return of capital rather than a dividend. Once the ATO’s Class Ruling has been obtained, details will be published on the Henderson Group website ([www.henderson.com](http://www.henderson.com)).

A capital gain or loss will be realised in respect of each CDI cancelled as a result of the Return of Cash. Australian CDI Holders may be able to select which of their CDIs are cancelled under the Return of Cash if their CDIs are capable of being individually identified by reference to appropriately maintained records. If Australian CDI Holders cannot identify their individual CDIs, then those CDIs that have been held the longest will be deemed to have been cancelled first. This will impact on the amount of any capital gain or loss realised in respect of the Return of Cash proposal.

A capital gain will be realised upon the cancellation of a CDI if the capital proceeds in respect of the cancelled CDI is greater than the cost base of the cancelled CDI. The capital proceeds will equal the market value of the cancelled CDI determined as if the Return of Cash was never proposed. This may differ from the cash payment received. Henderson Group is seeking confirmation from the ATO as to the appropriate amount to treat as capital proceeds. Details will be published on the Henderson Group website ([www.henderson.com](http://www.henderson.com)). Australian CDI Holders may have different cost bases depending upon when they acquired CDIs and the price paid for the CDIs. The first element of the cost base (and reduced cost base) of those CDIs acquired under the demerger of Henderson Group from AMP Limited is A\$1.73 per CDI.

Australian CDI Holders that are individuals, trusts or complying superannuation funds and that have held their CDIs for more than 12 months prior to the cancellation of these CDIs under the Return of Cash proposal may be entitled to claim discounted CGT treatment in respect of those CDIs where they realise a capital gain.

A capital loss will be realised upon the cancellation of a CDI if the capital proceeds are less than the reduced cost base of the CDI. Any capital loss realised by an Australian CDI Holder on the cancellation of their CDIs may be offset against capital gains realised in the same income year. Alternatively, such capital losses may be carried forward to offset capital gains in future years. Australian CDI Holders, other than individuals, have to satisfy legislative tests before they can use the capital losses. Capital losses can only be used to offset against capital gains and not against ordinary income.

### **Application of Foreign Investment Fund provisions to Henderson Group**

The Australian tax legislation includes Foreign Investment Fund (FIF) provisions which apply to Australian residents that hold interests in foreign companies. Where these provisions apply, Australian CDI Holders may be required to include an amount in their assessable income without actually receiving dividends from Henderson Group. However, there are several exemptions from the FIF provisions that could apply.

One exemption will apply to Australian CDI Holders that are individuals (other than in the capacity of a trustee) if their aggregate value of shares in foreign companies at 30 June each year is less than A\$50,000. The relevant value of the shares in foreign companies, including Henderson Group, will be the greater of the cost or market value at 30 June each year.

A second exemption from the FIF rules may also apply, by virtue of the ASX classification of the CDIs. The FIF provisions should not apply on the basis of the classification of Henderson Group on the ASX to Asset Management and Custody Banks, a sub-sector of Diversified Financials. Australian CDI Holders will need to satisfy themselves at the end of each income year that this exemption is available based upon the classification of Henderson Group on the ASX at that time.

Australians holding Ordinary Shares traded on the London Stock Exchange may be able to satisfy this exemption from the FIF rules by virtue of the classification of the Ordinary Shares on the LSE to Asset Managers, a sub-sector of General Financial. As the Australian FIF provisions are complex, taxpayers should seek their own advice in this regard.

## **C. New Zealand taxation**

The following is a summary of the New Zealand tax consequences of the Return of Cash proposal for New Zealand resident CDI Holders (“NZ CDI Holders”). The summary below is based on current law and published practice of the New Zealand Inland Revenue Department (IRD) as at the date of this Circular.

The comments below apply to NZ CDI Holders that hold interests in Ordinary Shares through CDN. The New Zealand tax consequences should apply equally to New Zealand resident Shareholders that hold Ordinary Shares directly rather than through CDN.

The summary below only applies to NZ CDI Holders who hold their CDIs on capital account. It may not apply to certain classes of Shareholder, such as dealers and those who acquired CDIs with the purpose of sale. NZ CDI Holders who are in any doubt about the applicability of the New Zealand tax requirements to their particular circumstances should consult their own professional advisers.

The Directors have been advised that the proposed Return of Cash should not constitute a dividend for New Zealand tax purposes, and New Zealand CDI Holders who hold their CDIs on capital account should not be liable for any New Zealand tax on their proceeds.

This is on the basis that the proposed Return of Cash should qualify as a pro rata capital reduction of greater than 15% of the market value of all shares in Henderson Group plc, and that there is a low risk that the amount paid will exceed Henderson Group plc’s Available Subscribed Capital Per Share Cancelled. In addition, New Zealand tax law contains anti-avoidance provisions which seek to treat certain payments as dividends, if the payments were made in lieu of a dividend. The Directors have been advised that the proposed Return of Cash should not breach the anti-avoidance provisions and the payment should not, therefore, be treated as having been made in lieu of a dividend.

Accordingly, no part of the payment received by a NZ CDI Holder for the cancellation of their CDIs is expected to be subject to New Zealand income tax.