

The results for Henderson Group plc (Group) comprise three components: Henderson Global Investors (Henderson), the Corporate office (Corporate); and discontinued operations.

- Group net operating profit before tax from continuing operations was £46.2 million, an increase of £10.8 million (31%) on 1H05 (£35.4 million);
- Net profit before tax from Henderson was £46.6 million in 1H06 (1H05: £38.0 million), an increase of 23%;
- Corporate costs in 1H06 amounted to £7.0 million, down 3% from 1H05;
- Return from Corporate cash balances in 1H06 was £6.6 million compared to £4.6 million in 1H05; and
- Net loss before tax from discontinued operations in 1H06 was £2.0 million (1H05: £0.3 million loss).
- Henderson's cost to income ratio continued to improve to 69.2% (1H05: 70.6%);
- Net inflows into Henderson's high margin products during the period amounted to £2.0 billion (1H05: £0.3 billion);

Henderson – profit before tax up 23%

Net profit before tax for Henderson was £46.6 million in 1H06, up 23% from £38.0 million in 1H05. This was mainly due to increases in management and performance fee income. Management fee income increased 14% to £108.4 million in 1H06 compared to 1H05 from improved margins and favourable equity markets. Our Mutual, Property and Absolute Return Funds were the largest contributors to this increase. Performance fee income increased 46% to £24.2 million compared to 1H05 reflecting strong performance in Property, Horizon and Absolute Return Funds. Transaction fee income declined slightly by 3% to £12.6 million compared to 1H05.

Continued growth in specialist product areas and expected outflows from lower margin areas of Henderson produced a more profitable product mix, with the total revenue margin on average assets under management (AUM) up from 37bps in 1H05 to 43bps in 1H06. Management fee margins increased from 28bps in 1H05 to 32bps in 1H06,

and net margins rose from 11bps to 14bps. Investment income increased 43% from £4.4 million in 1H05 to £6.3 million in 1H06, largely due to profits on seed investments.

Total operating expenses increased 15% to £103.5 million in 1H06. Savings in investment administration and other costs were offset by increases in staff expenses and IT expenditure. The increase in staff expenses was due almost entirely to variable remuneration schemes reflecting improved operational performance. Overall, the increase in total income exceeded higher costs in 1H06 resulting in an improved cost to income ratio from 70.6% in 1H05 to 69.2% in 1H06.

Total AUM declined from £67.7 billion at the end of 2005, to £63.1 billion at the end of June 2006. This decline in assets was due to expected outflows associated with Virgin Money Group (£2.4 billion), the closed life books of Pearl Group (£1.5 billion) and lower margin Institutional business (£2.9 billion). The impact of these low margin outflows on revenues and margins was more than offset by £2.0 billion net inflows in 1H06 into specialist, higher margin business areas.

Other business

Corporate costs were £7.0 million in 1H06, down slightly from 1H05. One-off legal and professional costs relating to our discussions on the Pearl Group's investment management agreements and the potential acquisition reviewed in 1H06, inflated Corporate costs in the period by £2.0 million. The return on Corporate cash was £6.6 million in 1H06 compared to £4.6 million in 1H05.

Discontinued operations, comprising the Life Services business, Towry Law UK, and Towry Law International generated a £2.0 million loss before tax in 1H06. This includes a profit on the disposal of Towry Law UK, offset by the crystallisation of warranty claims under the sale agreement for the Life Services business.

The Group announced settlement schemes in May 2006 in relation to legacy product issues in Towry Law International. These schemes are proceeding satisfactorily and the provisions set aside for this purpose remain adequate in the view of the Board.

Cash flows for the Group remain strong, with cash and cash equivalents increasing by £53.7 million in 1H06, due in part to a net cash inflow of £27.3 million from the sale of Towry Law UK. The balance sheet remains strong with Group net assets at 30 June 2006 of £680.8 million. Subject to shareholder and UK Court approval, the Group proposes to return approximately £200 million surplus capital to shareholders by 24 October 2006. In conjunction with this planned return of surplus capital, the Group agreed with its pension scheme trustees to contribute £80.0 million, in excess of regular contributions, over the next two years towards the Henderson Group Pension Scheme's deficit. The Board has declared a 2006 interim dividend of 0.88 pence per share which will be paid on 24 October 2006.

Outlook

The emphasis on high margin products is driving income and profitability in the right direction. Henderson expects to deliver a cost to income ratio not exceeding 73% for the full year 2006. For 2007 a 70% cost to income ratio should be achievable through further income growth and careful control of costs. Overall, subject to benign market conditions, the business is on the right track with good momentum in key high margin areas. There are further opportunities to improve profitability, and there is the potential to provide a further capital return of £150 million to £200 million to shareholders next year, with the introduction of a prudent level of gearing to the balance sheet.



Rupert Pennant-Rea
Chairman
24 August 2006

Interim Summarised Consolidated Income Statement

	30 June 2006 Unaudited				30 June 2005 Unaudited			
	Continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m	Continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Continuing operations								
Net fee and commission income	145.1	–	–	145.1	120.9	–	(7.3)	113.6
Finance income	13.0	–	–	13.0	17.0	–	(2.1)	14.9
Operating expenses	(111.9)	–	–	(111.9)	(98.9)	–	0.4	(98.5)
	46.2	–	–	46.2	39.0	–	(9.0)	30.0
Finance costs	–	–	–	–	(3.6)	–	3.0	(0.6)
Net profit before tax from continuing operations	46.2	–	–	46.2	35.4	–	(6.0)	29.4
Taxation	(8.6)	–	–	(8.6)	(6.6)	–	–	(6.6)
Net profit after tax from continuing operations	37.6	–	–	37.6	28.8	–	(6.0)	22.8
Discontinued operations								
Net (loss)/profit after tax from discontinued operations	–	(2.1)	–	(2.1)	–	(5.1)	6.0	0.9
Net profit/(loss) before taxation from all operations	46.2	(2.0)	–	44.2	35.4	(0.3)	–	35.1
Total taxation	(8.6)	(0.1)	–	(8.7)	(6.6)	(4.8)	–	(11.4)
Net profit/(loss) after taxation from all operations	37.6	(2.1)	–	35.5	28.8	(5.1)	–	23.7
Attributable to:								
Equity holders of the parent				35.4				27.2
Minority interests				0.1				(3.5)
				35.5				23.7
Dividends								
Dividend declared and charged to equity in the period (1.39 pence per share)				(16.1)				–
Dividend declared but not yet charged to equity (0.88 pence per share)				(10.1)				–
Earnings per share								
Basic earnings per share (pence)	3.3	(0.2)	–	3.1	1.4	0.2	–	1.3
Diluted earnings per share (pence)	3.2	(0.2)	–	3.1	1.4	0.2	–	1.3

Interim Summarised Consolidated Statement of Recognised Income and Expense

	30 June 2006 Unaudited		30 June 2005 Unaudited	
	£m	£m	£m	£m
Exchange differences on translation of foreign operations		0.6		(0.1)
Reserve transfers on sale of available-for-sale financial assets		0.6		3.4
Gains/(losses) on revaluation of available-for-sale financial assets		6.1		(3.7)
Actuarial gain/(losses) on defined benefit pension schemes		2.8		(11.1)
Tax (charge)/credit on items taken directly to equity		(0.8)		4.5
Net income/(expense) recognised directly in equity		9.3		(7.0)
Net profit after tax from all operations		35.5		23.7
Total recognised income and expense (including minority interest)		44.8		16.7

Interim Summarised Consolidated Balance Sheet

	30 June 2006 Unaudited	31 December 2005 Audited	30 June 2005 Unaudited
	£m	£m	£m
Assets			
Intangibles assets	224.3	224.3	247.9
Investments	73.2	99.2	84.4
Deferred tax assets	17.4	12.8	21.9
Trade and other receivables	153.5	95.7	148.3
Cash and cash equivalents	550.2	487.5	448.8
Other assets	31.9	27.5	27.0
Total continuing group assets	1,050.5	947.0	978.3
Assets held in disposal groups held for sale	–	42.6	–
Total assets	1,050.5	989.6	978.3
Liabilities			
Retirement benefit obligations	42.8	45.6	51.1
Current tax liabilities	41.5	27.8	39.8
Provisions	59.4	66.5	75.5
Trade and other payables	199.6	163.9	169.0
Other liabilities	26.4	22.0	23.1
Total continuing group liabilities	369.7	325.8	358.5
Liabilities included in disposal groups held for sale	–	16.7	–
Total liabilities	369.7	342.5	358.5
Net assets	680.8	647.1	619.8
Capital and reserves			
Share capital and premium reserve	483.0	482.7	482.0
Other reserves	206.3	168.5	151.5
Own shares held reserve	(8.6)	(4.1)	(13.7)
	680.7	647.1	619.8
Minority interest	0.1	–	–
Total equity	680.8	647.1	619.8

Interim Summarised Reconciliation of Movement in Equity

	30 June 2006 Unaudited	31 December 2005 Unaudited	30 June 2005 Unaudited
	£m	£m	£m
Equity at 1 January/1 July	647.1	619.8	1,892.3
Total recognised income and expense attributable to equity holders of the parent	44.7	22.0	20.2
Dividends paid and capital returned to shareholders	(16.1)	–	(870.5)
(Increase)/decrease in own shares held	(4.5)	3.4	(9.7)
Issue of shares for the Sharesave scheme	0.2	0.3	0.2
Movement in equity-settled share scheme expenses	9.3	1.6	4.6
Movement in minority interests	0.1	–	(417.3)
Equity at 30 June/31 December	680.8	647.1	619.8

Interim Summarised Consolidated Cash Flow Statement

	30 June 2006 Unaudited	31 December 2005 Unaudited	30 June 2005 Unaudited
	£m	£m	£m
Net cash flows from operating activities	7.1	60.4	(340.7)
Net cash flows from investing activities	64.4	(16.9)	(2,231.8)
Net cash flows from financing activities	(15.9)	3.6	(455.2)
Effects of exchange rate changes	(1.9)	0.6	0.7
Net increase/(decrease) in cash and cash equivalents	53.7	47.7	(3,027.0)
Cash and cash equivalents at beginning of period	496.5	448.8	3,475.8
Cash and cash equivalents at end of period (including cash held in disposal groups held for sale)	550.2	496.5	448.8

BASIS OF PREPARATION

The results for the six months ended 30 June 2006 have been prepared on the basis of the accounting policies set out in the Henderson Group plc (Company) Full Annual Financial Report and Accounts for the year ended 31 December 2005. These financial statements, along with accompanying analyst presentations, are available on the Group website. The results for the six months ended 30 June 2006 and the six months ended 30 June 2005 are unaudited but have been reviewed by the auditor.

STATUTORY ACCOUNTS

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 2005 have been taken from the Henderson Group plc Full Annual Financial Report and Accounts for the year ended 31 December 2005. The auditor has reported on the 2005 accounts and its report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Henderson Group plc Full Annual Financial Report and Accounts have been filed with the Registrar of Companies. The auditor has carried out a review of the interim financial information and its report follows.

INDEPENDENT REVIEW REPORT TO HENDERSON GROUP PLC

Introduction We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Interim Summarised Consolidated Income Statement, Interim Summarised Consolidated Statement of Recognised Income and Expense, Interim Summarised Consolidated Balance Sheet, Interim Summarised Reconciliation of Movement in Equity and Interim Summarised Consolidated Cash Flow Statement. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

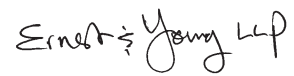
This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the

accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.



Ernst & Young LLP
London
24 August 2006

Henderson Group plc

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Company registration number: 2072534

This advertisement is a summary of certain information contained in the stock exchange announcements dated 25 August 2006 (relating to the interim results for the half year ended 30 June 2006 of the Group). All announcements are posted on the Group website at www.henderson.com for shareholders to access.

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