

Section 5

Information about tax

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A. UK Taxation

The following is a general description of certain UK tax considerations relating to the Return of Cash proposal, the Consolidation, the cancellation of shares as part of the Reduction of Investor Base proposal, and the Sub-division. The description is based on current law and published Inland Revenue 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, the Return of Cash proposal, the Consolidation, the Reduction of Investor Base proposal or the Sub-division. It only relates to the position of Shareholders who are 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 HHG PLC, and who have not acquired their Ordinary Shares by reason of an office or employment. It does not consider the position of CDI Holders. The comments below may not apply to certain classes of taxpayer, such as dealers.

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.

(a) 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 would ordinarily 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 Inland Revenue have confirmed that they 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 HHG PLC in respect of all of the Ordinary Shares in issue. HHG PLC considers that the average of such consideration should be approximately 58 pence per Ordinary Share. However, the Inland Revenue is not prepared to confirm or reject this calculation of that new consideration on the basis that that to do so would go beyond their general practice. The Inland Revenue have confirmed that an Ordinary Shareholder may choose to calculate the capital element by reference to the history of that Ordinary Shareholder's own holding.

On the basis that the capital element for an Ordinary Shareholder (whether calculated by way of the general averaging or by way of the history of the Ordinary Shareholder's own holding) is equal to or greater than the amount per Ordinary Share paid under the Return of Cash proposal, the income element would be nil and only section (ii) below should be relevant. If the Ordinary Shareholder receives an amount per Ordinary Share under the Return of Cash proposal that exceeds the Ordinary Shareholder's capital element, the excess received will be the income element and both (ii) and (iii) below should be relevant.

(ii) Taxation of chargeable gains

Shareholders may be liable to UK taxation on chargeable 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 (in the case of individuals) through 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 on the demutualisation of AMP Society, in respect of which they received Ordinary Shares issued in exchange for their shares in AMP Limited which were cancelled on the subsequent demerger of HHG PLC from AMP Limited, 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, the Shareholder will normally be treated as not having made a part disposal. The payment would instead be deducted from the base cost of that holding. The Inland Revenue generally take "small" to mean 5% or less of the value of the relevant holding, or £3,000 or less. However, the Inland Revenue will not require this treatment if the taxpayer would prefer to treat a small capital distribution as a disposal.

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 applicable taper relief) when aggregated with other realised chargeable gains in the relevant year of assessment, does not exceed the annual CGT allowance. Taper relief may be available for Shareholders who are individuals. The annual CGT allowance for the tax year to 5 April 2005 is £8,200; 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 (e) below (Anti-avoidance provisions).

(iii) Taxation of income element

The income element will be regarded as a distribution made by HHG PLC.

No tax will be withheld from such payment by HHG PLC.

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. The taxable amount will be the sum of the income element and the tax credit (together, the "grossed up income element"), which will be regarded as the top slice of that Shareholder's income. The value of the tax credit will be equal to 10% of the grossed up income element. A UK resident individual who is liable to income tax at only the starting rate of 10% in the tax year to 5 April 2005 or the basic rate of 22% in the tax year to 5 April 2005 will have no further tax to pay on the income element. A UK resident individual who is not liable to tax in respect of the income element will generally not be entitled to repayment of the tax credit. A UK resident individual who is liable to income tax at the higher rate will be subject to income tax on the grossed up income element at the Schedule F upper rate (for the tax year to 5 April 2005 of 32.5%), but will be able to set the tax credit against part of that liability, thereby reducing the tax liability to 22.5% of the grossed up income element (or 25% of the income element) at the rates for the tax year to 5 April 2005.

(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.

(b) The Consolidation

The Inland Revenue have confirmed that, for CGT purposes, the Consolidation, the Reduction of Investor Base proposal and the Sub-division will be treated as a reorganisation of HHG PLC's share capital. Accordingly, a Shareholder should not in practice be treated as making a disposal of all or part of its existing holding of Ordinary Shares by reason of the Consolidation being implemented, and the Consolidated Shares or fractional entitlements to a Consolidated

Share which replace the Shareholder's existing holding of Ordinary Shares as a result of the Consolidation should in practice be treated as the same asset acquired at the same time as the Shareholder's existing holding of Ordinary Shares was acquired.

No stamp duty or stamp duty reserve tax will be payable in respect of the Consolidated Shares, Special Shares or Non-Cancellation Special Shares received by Shareholders pursuant to the Consolidation.

(c) The Reduction of Investor Base proposal

As with the cancellation of the Ordinary Shares under the Return of Cash proposal in (a) above, the payment received by Shareholders in respect of the cancellation of their fractional entitlements to a Consolidated Share will be divided for tax purposes into a capital element and an income element. Please refer to section (a) above for information as to the capital and income element and for details of the anticipated tax treatment of the cancellation.

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

No stamp duty or stamp duty reserve tax will be payable by Shareholders on the cancellation of the fractional entitlements to a Consolidated Share.

(d) The Sub-division

As noted above, the Inland Revenue have confirmed that the Consolidation, the Reduction of Investor Base proposal and the Sub-division should constitute a reorganisation of HHG PLC's share capital. Shareholders should not be treated, by virtue of the receipt of resulting Ordinary Shares pursuant to the Sub-division, as making a disposal or part disposal for CGT purposes of their Consolidated Shares or fractional entitlements to a Consolidated Share which have not been cancelled under the Reduction of Investor Base proposal. On this basis Shareholders should not incur any CGT liability in respect of the Sub-division and the resulting Ordinary Shares should be treated as acquired when the original Ordinary Shares were acquired. The base cost a Shareholder has in its original Ordinary Shares should be apportioned to the resulting Ordinary Shares to the extent not taken into account on the disposal pursuant to the Return of Cash proposal.

(e) Anti-avoidance provisions

Shareholders should be aware of an anti-avoidance provision, section 703 of the Income and Corporation Taxes Act 1988, which the Inland Revenue may seek to apply where a person obtains a tax advantage in consequence of a "transaction in securities". Were the Inland Revenue to seek to apply section 703 in respect of the Return of Cash proposal or the Reduction of Investor Base proposal, the effect may be to tax amounts received in accordance with either of the steps, or a proportion, or further proportion, as the case may be, of such amounts, as income rather than capital. For any particular Shareholder, the Inland Revenue 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 proposal, the Consolidation, the Reduction of Investor Base proposal and the Sub-division for Australian resident CDI Holders ("Australian CDI Holders"). The summary below is based on current law and the published practice of the Australian Taxation Office ("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.

(a) The Return of Cash proposal

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. HHG PLC 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 obtained, the confirmation will be published on HHG PLC's website (www.hhg.com).

A capital gain or loss will be realised in respect of each CDI cancelled as a result of the Return of Cash proposal. Australian CDI Holders may be able to select which of their CDIs are cancelled under the Return of Cash proposal 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 cash payment for the cancelled CDI is greater than the cost base of the cancelled CDI. 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 HHG PLC 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 in respect of which they realise a capital gain.

A capital loss will be realised upon the cancellation of a CDI if the payment received is 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 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 cannot be used to offset assessable income.

There may be further insignificant tax consequences where the number of Ordinary Shares held by the CDN in aggregate in respect of all CDI Holders which are cancelled under the Return of Cash proposal is greater than the number of Ordinary Shares that would have been cancelled if the CDI Holders held Ordinary Shares instead of CDIs. HHG PLC is seeking confirmation of the tax consequences from the ATO in the event this arises and will publish any such guidance on its website once received.

(b) The Consolidation

It is expected that the Consolidation will be regarded as a reorganisation of HHG PLC's share capital without changing the beneficial ownership of each Australian CDI Holder in HHG PLC.

Australian CDI Holders should not be treated as having disposed of their CDIs as a result of the Consolidation. Accordingly, no capital gain or capital loss should be realised in respect of the Consolidation.

The CDIs relating to the Consolidated Shares and fractional entitlements to Consolidated Shares arising as a result of the Consolidation will have the same date of acquisition as the original Ordinary Shares to which they relate. The cost base of the CDIs relating to the Consolidated Shares and fractional entitlements to Consolidated Shares will be the aggregate of the cost bases of the original CDIs to which they relate.

(c) The Reduction of Investor Base proposal

No part of the payment received by Australian CDI Holders in respect of the cancellation of their fractional entitlements to a Consolidated Share is expected to be regarded as a dividend for Australian tax purposes. As part of the confirmation request referred to above, HHG PLC is asking the ATO to confirm that the Reduction of Investor Base proposal will be treated as a return of capital rather than a dividend.

CDI Holders can elect out of the Reduction of Investor Base proposal. Where such election is made, there should be no Australian tax consequences under this step. Where such election is not made, the Australian tax consequences of the Reduction of Investor Base proposal will be similar to those outlined at (a) above.

Australian CDI Holders will recognise a capital gain or loss upon cancellation of the CDIs relating to their fractional entitlements to Consolidated Shares. This will be determined by comparing the payment received for such cancellation against the cost base of the CDIs relating to the fractional entitlements to Consolidated Shares.

If, after the Return of Cash and Reduction of Investor Base proposals, an Australian CDI Holder has no remaining CDIs, the net capital gain or loss should equal the difference between the total cash received from HHG PLC and the sum of the cost bases of the CDIs immediately before the proposals are implemented.

(d) The Sub-division

The Sub-division should be treated as a reorganisation of HHG PLC's capital without changing the beneficial ownership of each Australian CDI Holder in HHG PLC.

Australian CDI Holders should not be treated as having disposed of CDIs relating to the Consolidated Shares or the fractional entitlements to Consolidated Shares as a result of the Sub-division. Accordingly, no capital gain or loss should be recognised upon the Sub-division.

The CDIs held by each Australian CDI Holder after the Sub-division should have the same cost base and the same date of acquisition for Australian tax purposes as those CDIs that the Australian CDI Holder held immediately after the Return of Cash proposal and before the Consolidation.

(e) 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 expected reclassification of Henderson Group on the ASX to Asset Management and Custody Banks. 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 other exemptions from the FIF rules. They 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, the Consolidation, the Reduction of Investor Base proposal, and the Sub-division 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.

HHG PLC has approached the IRD in relation to the tax effects of these transactions. It is likely that the IRD, once they have examined the Proposals, will issue a statement which will be posted on the IRD's website (www.ird.govt.nz) and also on HHG PLC's website (www.hhg.com) when it is available.

(a) The Return of Cash Proposal

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.

(b) The Consolidation

It is expected that the Consolidation should be regarded by the IRD as a reorganisation of HHG PLC's share capital without changing the beneficial ownership of each NZ CDI Holder in HHG PLC. Accordingly, a NZ CDI Holder should not be treated as making a disposal of all or part of their existing holding of CDIs by reason of the Consolidation.

On this basis there should be no New Zealand tax implications arising to NZ CDI Holders from the Consolidation.

(c) The Reduction of Investor Base proposal

The tax treatment of the payment received by a NZ CDI Holder in respect of the cancellation of their fractional entitlement to a Consolidated Share will depend upon the proportion that their cancelled fractional entitlement bears to their total CDIs prior to the cancellation. For these purposes, a NZ CDI Holder's total CDIs includes the CDIs of certain associated parties, such as a spouse.

For a NZ CDI Holder whose cancelled fractional entitlement represents **15% or more** of their total CDIs, no part of the payment received for the cancellation of their fractional entitlements is expected to be subject to New Zealand income tax.

For a NZ CDI Holder whose cancelled fractional entitlement represents **less than 15%** of their total CDIs, the payment is expected to give rise to a New Zealand tax liability for the relevant NZ CDI Holder under the dividend rules.

A CDI Holder can elect out of the Reduction of Investor Base proposal. Where such election is made, there should be no New Zealand tax implications arising to a CDI Holder from the Reduction of Investor Base proposal.

(d) The Sub-division

It is expected that the Sub-division should be regarded by the IRD as a reorganisation of HHG PLC's share capital without changing the beneficial ownership of each NZ CDI Holder in HHG PLC.

On this basis, there should be no New Zealand tax implications arising to a NZ CDI Holder from the Sub-division.