Address by Roger Yates, Chief Executive, to the Henderson Group 2008 Annual General Meeting 1 May 2008

As the Chairman has mentioned, the Group delivered solid growth in profits in 2007, with profit before tax from continuing operations, excluding non-recurring items, up by 30% to £106.7 million. For us this result feels like a vindication of our strategy of focusing on higher margin products and on profitability, as opposed to just levels of assets under management.

Driven by this strong headline result, there were also significant improvements in earnings per share – up 83%, in the cost to income ratio for Henderson Global Investors – down by over 5 percentage points and in the dividend, where the full year total was almost double 2006. Investment performance was generally satisfactory although market turbulence towards the end of the year created a more challenging environment in which to deliver investment returns to clients. We made good progress in improving the efficiency of the balance sheet, successfully raising debt in May last year, which was both well timed and well priced, and we returned a further £250 million to shareholders in October.

Looking at the result in more detail, profits in Henderson Global Investors, the Group's main subsidiary, rose by 35% to £109.6 million on revenues 14% higher at £337.4 million. The positive revenue impact of £1 billion inflows into higher margin products, more than offset the revenues lost from outflows from Pearl and other lower margin mandates. Total fee margins also improved to 53bps in 2007, up from 44bps in 2006, again a reflection of the shift towards higher margin business. The improvement in the cost to income ratio from 72.6% to 67.5% was comfortably within the guidance we gave in November.

Another measure of success is the quantum of performance fees we generate. On this measure, 2007 was a very strong year in which we generated net performance fees of £50.1 million compared to £37.3 million in 2006. Encouragingly, the fees were generated right across the business, in Property, Hedge, and a range of long only mandates and were sourced from 65 different funds, compared to 52 in 2006. This diversity leads us to believe that performance fees will remain a feature of our revenues, although these will be lower in 2008. Assuming flat markets, we expect transaction and net performance fees of approximately £30 million this year. This is in line with guidance we gave at the end of February.

Volatile and uncertain markets have led to subdued investor demand so far this year, particularly in mutual funds. However, when investor confidence returns, we believe we have a good range of saleable products. We will provide a more detailed update on business performance when we release our first Interim Management Statement on 15 May.

We have recently begun a full review of most of our third party administration arrangements, which we expect to complete by the end of the year. This review will involve some one-off expenditure, on which we will provide guidance with our 2008 interim results on 28 August.

The Group continued to enjoy a lower effective tax rate than the UK statutory rate in 2007, due to the recognition of deferred tax assets and the release of provisioning in respect of prior years. As previously indicated, we expect the effective tax rate on continuing operations excluding non-recurring items, to remain between 10% and 15% in 2008, reverting closer to the statutory rate in 2009 or 2010.

As the Chairman already mentioned, the Group has returned just over £1.3 billion to shareholders over the past three years and recently took some debt onto its balance sheet. Accordingly, we expect Corporate net interest to comprise mainly debt servicing costs in 2008 and it will therefore turn negative to approximately £10.5 million before tax relief, assuming an interest rate of 6%. We currently expect corporate costs in 2008 to be similar to those of 2007, in other words approximately £9 million.

One of our financial objectives for 2008 is to meet or beat Henderson Global Investors' 2007 operating profit before tax. As we have already seen, the market background for 2008 is more adverse than that which existed in 2007. So having demonstrated that we can drive profits higher in a relatively benign market environment which we did in 2007, we now have the job of managing Henderson in a less favourable climate. This means a renewed focus on costs as well as continued efforts to drive revenues up via our higher margin business lines.

We have already taken some measured cost action, namely headcount and related restructuring, which should generate £20 million of savings in 2008, before a restructuring charge of approximately £2.5 million pre-tax. This has been done without cutting any of our investment capabilities. We identified a further £10 million of non-staff costs at the start of the year that could be removed from our cost base if markets remained subdued. We made the decision in early April to proceed with these cost reductions. Unless markets show signs of sustained improvement, we do not expect these costs to return to our cost base. In addition, savings will be achievable in variable staff costs, should future market levels remain subdued. The prompt action we have taken on costs, together with the variability of our cost base, leaves us reasonably confident, therefore, of delivering a cost to income ratio for Henderson Global Investors of 65% or below in 2008.

At this point, we remain on track to meet our financial objectives – that is to meet or beat Henderson Global Investors' 2007 operating profit before tax and delivering a cost to income ratio of 65% or below in 2008.

Our primary focus will continue to be on profitable organic growth, but we also believe that, in more difficult markets, we are in a good position to capitalise on other opportunities. We are actively looking for opportunities where we can lift out teams or make bolt-on acquisitions that meet our criteria.

Overall, the business is in good shape. It can withstand a sustained period of flat or weak markets and is well positioned to benefit from any upturn.