



HHG PLC

ASX Appendix 4D

announcement of 2004 Interim Results

For 6 months to 30 June 2004

The information contained in this document should be read in conjunction with the HHG PLC (the Company) Full Annual Financial Report and Accounts for the year ended 31 December 2003 and any public announcements made by HHG PLC and its controlled entities (HHG Group) during the year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Australian Stock Exchange (ASX) Listing Rules. This report includes the half year information required to be given to the ASX under Listing Rule 4.2A.

HHG PLC - Company Number 2072534 and ARBN 30106 988 836

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Note: The disclosures provided in this "Results for Announcement to the Market" section meet the requirements of the ASX.

Financial results

	6 months 2004	6 months 2003	% change 2004 to 2003
	£m	£m	%
Revenue from ordinary activities	1,026	2,433	(58)
Profit/(loss) from ordinary activities after taxation attributable to members	37	(873)	-
Net profit/(loss) for the period attributable to members	37	(873)	-

Dividends

No dividend on ordinary shares is proposed (30 June 2003: nil).

Analysis of revenue from ordinary activities

	6 months 2004	6 months 2003
	£m	£m
General insurance business gross premiums written	-	-
Long term business gross premiums written*	479	877
Long term business investment income	635	682
Long term business unrealised (losses)/gains on investments	(248)	872
Non-technical account investment income	27	21
Non-technical account unrealised gains/(losses) on investments	13	(116)
Henderson business unit total revenue	119	95
Less: Henderson business unit intra-group revenue	(23)	(22)
Towry Law business unit total revenue	24	24
Total	1,026	2,433

* Reduction in long term business gross premiums written reflects the closure of the life companies to new business.

Net tangible assets/(liabilities) per ordinary share

	30 Jun 2004	30 Jun 2003
	pence	pence
Net tangible assets per 10p ordinary share in issue at 30 June 2004 (30 June 2003: net tangible liabilities per £1 ordinary share in issue)	58	(17)

"Net tangible assets" are defined by the ASX, as being total assets less intangible assets less total liabilities ranking ahead of, or equally with, claims of ordinary shares.

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REVIEW OF OPERATIONS AND FINANCIAL REVIEW

Modified statutory solvency results

The HHG Group reports its performance on a Modified Statutory Solvency Basis (MSSB).

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Henderson	25	13	32
Life Services	32	(40)	81
Other Businesses	-	(2)	(3)
	<u>57</u>	<u>(29)</u>	<u>110</u>
Business unit operating profit/(loss)			
Corporate costs	(6)	(5)	(12)
	<u>51</u>	<u>(34)</u>	<u>98</u>
Operating profit/(loss)			
Unallocated interest costs	-	(33)	(60)
	<u>51</u>	<u>(67)</u>	<u>38</u>
Operating profit /(loss) before taxation based on longer term investment return before other operating exceptional costs, amortisation of goodwill and acquired Present Value of In Force business (PVIF)			
	51	(67)	38
Other operating exceptional costs, excluding impairment of goodwill and acquired PVIF *	-	(507)	(543)
Amortisation and impairment of goodwill	(10)	(297)	(307)
Impairment of goodwill arising on acquisition of associates	-	(9)	(9)
Amortisation and impairment of acquired PVIF *	-	(27)	(33)
Short term fluctuation in investment return	(6)	(2)	(13)
Profits on disposal/termination of businesses	11	7	3
	<u>46</u>	<u>(902)</u>	<u>(864)</u>
Profit/(loss) on ordinary activities before taxation			

* Amortisation and impairment of acquired PVIF and other operating exceptional costs have been grossed up at the longer term effective taxation rate attributable to the balance on the long term business technical account.

HHG Group result

For first half 2004, the HHG Group profit on ordinary activities before taxation on a Modified Statutory Solvency basis increased to £46m against a loss of £902m for first half 2003. HHG Group continued to build on the solid financial base established since the demerger from AMP Limited Group and made steady progress against the efficiency and productivity targets for full year 2004. Henderson improved profitability and continued to grow higher margin business while Life Services Traditional Embedded Value (TEV) increased to £1.3bn, reserves were strengthened and HHG Services Limited (the Service Company) achieved profit for first half 2004.

During the period, actions were also taken to realise value from HHG Group's 50% investment in Virgin Money Group and to acquire full ownership of HHG Invest plc from Pearl Assurance plc's (Pearl) shareholder fund. This resulted in a simpler corporate structure, a stronger balance sheet and left the business better placed to meet proposed regulatory changes.

No ordinary dividend is proposed for first half 2004 (half year 2003: nil).

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)**Henderson**

Henderson's objective is to maintain its configuration as an international, multi-asset class investment management business and increase access to platforms and panels of the largest global and national distributors. To achieve this Henderson concentrates on:

- Building and sustaining competitive investment performance;
- Responding to the increasing commoditisation of core products by developing new and existing higher – margin products;
- Attracting and retaining the right people by providing market competitive remuneration and effective career development programmes; and
- Building scale by strengthening distribution and client servicing.

Strong first half 2004 result – 92% up on first half 2003

Operating profit before taxation for Henderson for first half 2004 was £25m, up 92% from £13m for first half 2003. This reflects the recovery in equity markets from their low in early 2003 and management focus on improving fee margins.

Total fee income in first half 2004 of £116m was 23% up on first half 2003 as management fees increased with stronger investment markets – FTSE 100 averaged 4,447 in first half 2004, a 16% increase on first half 2003. Transaction fees, performance fees and other income also increased – predominantly for absolute return funds, Banca Popolare Di Lodi (BPL) subadvisory funds and Henderson managed real estate in the US.

Operating expenses grew by 18% to £92m for first half 2004 as the tight control over business as usual costs was offset by an expected increase of investment in people and infrastructure. The majority of the increase related to variable costs for example, employee remuneration, incentivisation and pension costs.

This focused spending alongside improved revenues delivered a cost to income ratio for first half 2004 of 79% compared to 86% in first half 2003 and 84% for full year 2003.

Investment performance and distribution

Henderson has won seventeen investment performance awards during first half 2004 spanning a range of products from long equities to absolute return funds to property and including six Standard and Poors first place awards. In addition, Henderson won several awards for marketing and property development during the period.

In first half 2004, management continued the restructuring of the investment operations which began in 2003 to further improve manufacturing in fixed income and UK equities. New investment professionals are in place to strengthen the United Kingdom and European equity teams and further action is anticipated in second half 2004.

The new growth and higher margin areas of the business outperformed in first half 2004. Absolute return funds, the Henderson European Horizon range of funds (that are also distributed in Asia) and the Henderson US mutual range of funds all continue to meet or exceed their benchmark performance in 90% of instances.

Henderson is focused on expanding its distribution capabilities and a new director of UK Retail business has been appointed to modernise the way in which Henderson interacts with the market in the United Kingdom. Outside of the United Kingdom, Henderson continues to successfully nurture relationships with external distributors such as Fidelity in Taiwan and BPL in Italy and a number of new agreements are in the process of being finalised.

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REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)

Henderson (continued)

Assets Under Management (AUM)

During first half 2004 total AUM reduced by £2.2bn to £68.4bn. Underlying this position were expected net outflows in Life Services (-£1.2bn), external business (-£1.5bn) and AMP Limited Group (-£0.4bn) and a positive adjustment for market improvements (£0.9m). Henderson's continued focus on improving contribution from AUM ensured that during first half 2004, revenues lost from lower margin outflows have been offset by gains in higher margin areas such as absolute return funds, CDO and other structured products.

Summary of movements in AUM by distribution channel

	31 Dec 2003	Net fund flows	Market movements	30 Jun 2004
	£bn	£bn	£bn	£bn
Retail – open ended	6.5	0.1	0.1	6.7
Retail – closed ended	4.6	(0.1)	0.2	4.7
Sub-advisory	6.8	(0.5)	0.1	6.4
Institutional	25.6	(1.4)	0.2	24.4
Life Services life funds	27.1	(1.2)	0.3	26.2
Total AUM	<u>70.6</u>	<u>(3.1)</u>	<u>0.9</u>	<u>68.4</u>

AUM by type of asset

	30 Jun 2004	30 Jun 2003	31 Dec 2003
	£bn	£bn	£bn
UK Equity	16.6	18.4	17.3
International Equity	11.1	11.6	11.4
Total equity	<u>27.7</u>	<u>30.0</u>	<u>28.7</u>
Fixed income	34.5	33.4	36.0
Property	5.5	5.5	5.3
Private equity	0.7	0.5	0.6
Total AUM	<u>68.4</u>	<u>69.4</u>	<u>70.6</u>

AUM split by type of asset remained fairly stable during the period with equity holdings moving from 41% of AUM at 31 December 2003 to 40% at 30 June 2004, whilst fixed income remained stable at 51% over the same period.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)**Henderson (continued)****Outlook**

Henderson has a well diversified base which provides resilience when markets are in decline and has a number of offerings that are capable of meeting specialist demand for example, absolute return funds and property. However, Henderson faces some considerable challenges in the short term. Henderson will continue to focus on investment performance improvement in second half 2004 and ensure that this improvement is sustained into 2005. We will also build on the recent initiatives in restructuring United Kingdom distribution capability. Cost control will remain a priority particularly given the early signs of increasing cost inflation.

Regulatory Strength

Henderson complies with all aspects of the Financial Services Authority's (FSA) prudential regulations.

Life Services

The objective of Life Services is to deliver shareholder value, from its closed books of business, by demonstrating rigorous balance sheet and risk management to allow the market greater certainty about the underlying value of its businesses. In the longer term, that value will be realised through the return of capital and payment of dividends to shareholders.

Life Services intends to achieve this objective by focusing in certain basic areas: balance sheet and risk management, unit costs and efficiency, customer management, and the development and retention of high quality people.

MSSB result – satisfactory underlying performance impacted by more prudent reserving

The Life Services result of £32m for first half 2004 compares favourably with first half 2003 (-£40m).

The long term technical account benefited from strength in recurring profit items, such as the release of prudential margins from run off of the closed books and the shareholder's share of bonuses on with-profits business. This was offset by management's decision to strengthen annuitant mortality assumptions for NPI related business (-£82m) the impact of which was partially offset by smaller positive one-off adjustments.

The Service Company achieved a £2m profit in first half 2004, ahead of forecast, compared to a loss of £18m in first half 2003 and a full year 2003 loss of £8m. Further efficiency actions will be identified and implemented around procurement, servicing and IT. In addition, management intends to assess outsourcing opportunities in second half 2004 to establish the potential for managing the risks associated with aligning costs and revenue for the run off book.

Life Services continues to receive general insurance profits (first half 2004: £6m) through its ongoing arrangement with Churchill, who manufacture products under the Pearl brand, and through the release of margins from the technical provisions of the general insurance run off business.

Shareholder interests increased to £21m in the period compared to £6m for first half 2003, largely reflecting the increase in the value attributed to the contingent loan provided by the shareholder to the London Life policyholder funds. There was also a modest increase in returns in line with the additional capital attributed to the business unit following the sale of Pearl shareholder fund's interest in HHG Invest plc and the sale of HHG Group's interest in Virgin Money Group.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)

Life Services (continued)

Embedded Value

HHG Group has provided embedded values on a traditional basis as at 30 June 2004 and has been advised by Tillinghast-Towers Perrin in this regard.

Assumptions

TEVs are calculated using a prudent risk margin of 5% above the risk free rate for Pearl and NPLL (3% for London Life Limited (London Life), unit linked, the Service Company and other companies) and economic assumptions are determined based on appropriate government bond yields at each reporting date.

As a result of movements in bond yields during the period, risk discount rates have increased in respect of Pearl and NPLL from 9.9% p.a. at 31 December 2003 to 10.1% p.a. at 30 June 2004. The corresponding increase for the other Life Services business is from 7.9% p.a. to 8.1% p.a.

Closure to new business and, in particular, the move to a more conservative asset mix caused an increase in Life Services fund outflows during second half 2003 which was anticipated to continue into first half 2004. The actual experience has improved in first half 2004 as compared to second half 2003, however persistency across Life Services remains broadly in line with the assumptions underlying its embedded value. We have adjusted assumptions to allow for any continuation of the increased outflows however it is management's expectation based on 2004 experience that the spike in run off is dropping back to longer term levels.

Movement in TEV

Movement from 31 December 2003 to 30 June 2004

	£m
Consolidated TEV at 31 December 2003	1,145
Expected return	46
Value created through investment management	2
Value lost through insurance management	(70)
Capital movements	183
Other	7

Consolidated TEV at 30 June 2004	1,313
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There have been three main factors impacting the embedded value during first half 2004: the expected return reflecting interest on capital and six months worth of unwind on the value of in-force business at the discount rate, additional capital attributed to the business unit and the adverse impact resulting from a strengthening of the annuitant mortality basis. Additional capital has arisen from the March 2004 capital raising (which facilitated the sale by Pearl shareholder fund of its remaining 24% interest in HHG Invest plc to HHG PLC) and the £75m consideration arising from disposal of HHG Group's interest in Virgin Money Group.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)

Life Services (continued)

Embedded Value (continued)

Movement in TEV (continued)

Sensitivity of TEV

	£m
Base	1,313
Risk discount rate increased by 1%	1,257
Risk discount rate decreased by 1 %	1,379
Pre-tax investment returns on equities and property decreased by 1% corporate bonds decreased by 0.25% with bonus rates changing commensurately	1,289
Discontinuance rates increased by 25%	1,321
Annuitant mortality decreased by 5%	1,269
Non-commission expense increased by 10%	1,252

HHG Group intends to produce Market Consistent Embedded Values for Life Services on an annual basis only due to the significant additional resources involved and the limited additional usefulness of the information.

Regulatory capital – statutory solvency

Free asset ratios (FARs)

Free assets are measured as the excess of available assets (admissible assets less total liabilities) plus implicit items over and above the Required Minimum Margin. The FAR is free assets divided by total liabilities.

The FARs of the main life companies as at 30 June 2004 and in comparison to the 31 December 2003 position were for Pearl 1.5% (2.1%), NPLL 0.4% (1.4%) and London Life 1.5% (1.7%).

Equity backing ratios

At 30 June 2004, the equity backing ratios were Pearl 30% (31 December 2003: 31%); London Life 13% (31 December 2003: 12%); and NPLL 14% (31 December 2003: 14%). The Pearl figure is net of the impact of derivatives held to provide protection against major falls in equity markets.

Realistic balance sheet reporting

In July 2004, the FSA released PS04/16 “Integrated Prudential Sourcebook for Insurers”, outlining the final calculation basis for realistic balance sheet information. The final basis for calculation sits closer to the previously proposed CP195 basis than the Association of British Insurers basis and therefore a slight positive impact on previously disclosed Risk Capital Margin coverage under the CP195 basis is anticipated. HHG Group expects to release realistic balance sheet information as at 30 June 2004 in October 2004.

Improved balance sheet and risk management

Life Services continues to investigate opportunities to optimise financial and risk management, to ensure the most efficient use of capital. This includes initiatives within certain policyholder funds to manage credit exposure more tightly, diversify into lower volatility investments, match assets and liabilities more closely and reduce exposure to mortality improvements through reinsurance. Investment properties held by the life funds have been reorganised in first half 2004 to reduce risk and increase liquidity through the use of unit trusts. During the period HHG Group pre-empted any potential negative regulatory capital impact of the FSA proposed CP204 “Financial Conglomerates Directive” due for implementation in quarter one 2005 by purchasing the remaining 24% investment in HHG Invest plc from the Pearl shareholder fund.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)**Other businesses*****Virgin Money Limited***

On 27 April 2004, HHG Group completed the sale of its 50% holding in Virgin Money Group to the Virgin Group for a cash consideration of £90m. The net consideration was £75m, reflecting the discounting of amounts receivable in future years, provisions in respect of certain indemnities given under the transaction and transaction expenses. This resulted in a non-operating exceptional profit of £18m. In the period to disposal, HHG Group's share of Virgin Money Group's profit was £1m.

Towry Law

On 27 May 2004, HHG Group announced, following a strategic review and in light of difficult market conditions, that it would close the operations of Towry Law International (TLI) to new business. This resulted in a non-operating exceptional loss of £7m which has been fully provisioned. The closure of TLI has no impact on the operations of Towry Law in the United Kingdom which reported an ongoing profit of £0.4m for first half 2004.

Provision has been made in previous periods for possible claims in relation to TLI arising from inappropriate advice. No strengthening of this provision has been required in first half 2004 and it is adequate inter alia to cover ex-gratia payments that may be made in relation to Global Diversified Trading Limited and Global Opportunities Trading Limited announced on 17 August 2004.

AMPLE

In February 2004, the sale of the AMPLE online financial services business was completed. This was fully provided for in 2003.

Corporate costs

The increase in corporate costs for first half 2004 to £6m (first half 2003: £5m) reflects significant reduction in costs associated with headcount offset by the large additional costs of servicing HHG Group's substantial shareholder base in two regions. HHG Group continues to examine opportunities to streamline corporate expenditure, however, we anticipate that costs associated with the shareholder base will increase in future periods.

Balance sheet***Capital raising and corporate structure***

On 31 March 2004, HHG PLC issued 246,160,000 new ordinary shares for a net consideration of £115m. The proceeds from this capital raising together with internal cash resources, were used by HHG PLC to acquire full ownership of HHG Invest plc from the Pearl shareholder fund for a consideration of £119m.

Net Assets

The liquidity position of HHG Group has improved as a result of the cash received from the successful capital raising undertaken in March 2004 and from the disposal of Virgin Money Group in April 2004.

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REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)

Balance sheet (continued)

Net Assets (continued)

Net assets by business segment

	30 Jun 2004	31 Dec 2003
	£m	£m
Henderson	378	373
Life Services	1,386	1,177
Other Businesses	21	73
Corporate	55	68
Net assets	1,840	1,691
Financed by:		
Capital and reserves	1,839	1,689
External loans	1	2
	1,840	1,691

Standby facility

In March 2004, as part of establishing appropriate listed entity funding structures, the HHG Group agreed terms for a standby credit facility of up to £70m spread across three different banks. The facility is for 364 days. As at 30 June 2004 this facility was undrawn and it is expected to remain so for its duration.

Cash flow

Cash flow improved from a net outflow in first half 2003 of £421m to a net inflow in first half 2004 of £46m. The first half 2003 outflow reflected high levels of cash payments associated with restructuring Life Services whereas first half 2004 has benefited from cash inflows from the 31 March 2004 capital raising of £115m and from the sale of Virgin Money Limited of £50m.

Pension scheme

A full valuation of the staff pension scheme was conducted at 31 December 2003 and revealed a small surplus (£9m) on a funding basis. On a FRS 17 basis, the pension scheme showed a deficit of £66m (before taxation) at 30 June 2004 (31 December 2003: deficit £69m). Employer contributions recommenced in 2004 at a level of 19.9% of relevant payroll, based on the valuation performed at 31 December 2001. HHG Group is currently reviewing with the scheme trustees the impact of the most recent valuation on the contribution rate, but it is expected to remain broadly similar.

Taxation

The effective rate of taxation in the HHG Group consolidated profit and loss account for first half 2004 of 19.6% shows a favourable variance to the expected rate due to realised gains on disposal of investments not subject to taxation. The first half 2003 effective taxation rate on the loss for the period of 3.2% reflects the non tax-deductibility of exceptional costs and impairments arising during the period.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (continued)**International Financial Reporting Standards (IFRSs)**

The most significant impact of IFRSs on the HHG Group will result from the application of IFRSs to Insurance Contracts. IFRS 4 "Insurance contracts" was issued on 31 March 2004 and will apply as will other IFRSs from 1 January 2005. Those contracts meeting the definition of an insurance contract should continue to be accounted for under local Generally Accepted Accounting Principles (GAAP) until development of a full standard by the International Accounting Standards Board under "Phase 2". Adoption of Phase 2 is not expected until at least 2007. However, with the publication of Financial Reporting Exposure Draft 34 "Life Assurance" (FRED 34) in July 2004, it is anticipated that a new accounting standard based on FRED 34 will be adopted in the 2004 full year accounts and this will be local GAAP until Phase 2 is implemented. It is anticipated that HHG Group's financial position will also be affected materially on adoption of other IFRSs including those relating to accounting for pensions, goodwill, deferred taxation, investment valuation and the treatment in HHG Group's accounts of OEICs and unit trusts.

The project in place to ensure that the HHG Group meets the requirements of IFRSs is progressing well. Work is underway to implement accounting policies compliant with IFRSs and to restate the 1 January 2004 balance sheet. HHG Group expects to communicate detailed information on IFRSs in quarter two 2005.

Changes in accounting policy

The provisions of the Statement of Recommended Practice on Accounting for Insurance Business, issued by the Association of British Insurers in November 2003, have been adopted in these financial statements and resulted in the derecognition of a securitised asset (30 June 2003: £135m; 31 December 2003: £111m), the recognition of additional deferred acquisition costs (30 June 2003: £nil; 31 December 2003: £45m) and a reduction in the long term business provision (30 June 2003: £135m; 31 December 2003: £66m). This has had no impact on current or comparative period HHG Group results but has resulted in reallocations between captions within the balance sheet and within the profit and loss account.

HHG PLC has chosen to adopt FRS20 "Share based payments" in accounting for all share based payment schemes established in first half 2004. No prior period adjustments were required. The charge for share based payments in first half 2004 is £1m. HHG Group has also adopted the Urgent Issues Taskforce (UITF) Abstract 37 "Purchases and sales of own shares" and Abstract 38 "Accounting for ESOP trusts" presenting HHG Group's holdings (including those of employee share trusts under HHG Group's de facto control) in its own shares as a deduction from equity shareholders' funds. In respect of these, £2m of own shares have been presented separately on the face of the balance sheet at 30 June 2004. No prior period adjustments were required as no own shares were held in 2003.

DIRECTORS' REPORT

The directors present their report for first half 2004.

Directors

The Directors of HHG PLC during the half year and up to the date of this report are shown below. The directors were in office for this entire period except where stated otherwise.

Sir Malcolm Bates
Peter Costain
Duncan Ferguson (appointed 1 July 2004)
Pat Handley (resigned 21 May 2004)
Toby Hiscock
Antony Hotson
Ian Laughlin
Andrew Mohl (resigned 2 February 2004)
John Roques (appointed 14 January 2004)
Sir William Wells
Roger Yates

Review of operations and results

HHG Group's results for first half 2004 are shown in the summarised consolidated profit and loss account on page 14. A review of first half 2004 and future developments is covered in the Review of Operations and Financial Review that precedes this report.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/0100, amounts in this Directors' Report and other sections of this Announcement of Interim Results have been rounded off to the nearest million pounds sterling, unless stated otherwise.

Signed in accordance with a resolution of the directors.

Roger Yates

Chief Executive

25 August 2004

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For the half year ended 30 June

SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the half year ended 30 June 2004

	Notes	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Long term business gross premiums written				
Continuing operations	3.1	<u>479</u>	<u>877</u>	<u>1,664</u>
Balance on the general insurance business technical account				
Discontinued operations		5	3	9
Balance on the long term business technical account				
Continuing operations	3.7	(2)	(281)	(201)
Taxation credit/(charge) attributable to balance on long term business technical account		5	(48)	(13)
Shareholders' pre-tax profit/(loss) from long term business		3	(329)	(214)
Investment income		27	21	27
Allocated investment return transferred to the long term business technical account (note 6)		(2)	(2)	(8)
Unrealised gains/(losses) on investments		13	(116)	(148)
Share of operating profit/(loss) in associates		1	(1)	2
Impairment of goodwill arising on acquisition of associates		-	(9)	(9)
Profit/(loss) from interest in associates		1	(10)	(7)
Investment expenses and charges		(5)	(46)	(78)
Allocated investment return transferred to the general business technical account (note 6)		(2)	(3)	(3)
Other income		39	34	85
Other charges		(44)	(461)	(530)
Group operating profit/(loss) based on longer term investment return		40	(897)	(847)
Short term fluctuation in investment return (note 6)		(6)	(2)	(13)
Profit/(loss) from interest in associates		1	(10)	(7)
Profit/(loss) on ordinary activities before non-operating exceptional items and taxation		<u>35</u>	<u>(909)</u>	<u>(867)</u>
Non-operating exceptional items – profits on disposal/termination of businesses	4	11	7	3
Profit/(loss) on ordinary activities before taxation		<u>46</u>	<u>(902)</u>	<u>(864)</u>
Taxation (charge)/credit on profit/(loss) on ordinary activities		(9)	29	17
Profit/(loss) on ordinary activities after taxation		<u>37</u>	<u>(873)</u>	<u>(847)</u>
Preference dividend on non-equity shares		-	-	(1)
Retained profit/(loss) for the period		<u>37</u>	<u>(873)</u>	<u>(848)</u>
Basic and diluted earnings per share	5	<u>1.4p</u>	<u>(191.5p)</u>	<u>(119.7p)</u>

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CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the half year ended 30 June 2004

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Profit/(loss) on ordinary activities after taxation	37	(873)	(847)
Foreign exchange losses	(1)	-	(3)
Total recognised gains/(losses) arising in the period	36	(873)	(850)

RECONCILIATION OF HHG GROUP OPERATING PROFIT/(LOSS) TO PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

For the half year ended 30 June 2004

	Notes	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Henderson	2.1	25	13	32
Life Services	2.2	32	(40)	81
Other Businesses	2.3	-	(2)	(3)
Business unit operating profit/(loss)		57	(29)	110
Corporate costs		(6)	(5)	(12)
Operating profit/(loss)		51	(34)	98
Unallocated interest costs		-	(33)	(60)
Operating profit/(loss) before taxation based on longer term investment return before other operating exceptional costs, amortisation of goodwill and acquired PVIF		51	(67)	38
Other operating exceptional costs, excluding impairment of goodwill and acquired PVIF *		-	(507)	(543)
Amortisation and impairment of goodwill		(10)	(297)	(307)
Impairment of goodwill arising on acquisition of associates		-	(9)	(9)
Amortisation and impairment of acquired PVIF *		-	(27)	(33)
Short term fluctuation in investment return (note 6)		(6)	(2)	(13)
Profits on disposal of businesses	4	11	7	3
Profit/(loss) on ordinary activities before taxation		46	(902)	(864)

* *Amortisation and impairment of acquired PVIF and other operating exceptional costs have been grossed up at the longer term effective taxation rate attributable to the balance on the long term business technical account for the purpose of the reconciliation of HHG Group operating profit/(loss) to profit/(loss) on ordinary activities before taxation and segmental information in note 2.*

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SUMMARISED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

	Notes	30 Jun 2004 £m	Restated 30 Jun 2003 £m	Restated 31 Dec 2003 £m
Assets				
Intangible assets				
Goodwill		270	288	280
Investments				
Land and buildings		1,518	1,793	1,632
Investments in joint ventures:				
Share of gross assets		319	371	343
Share of gross liabilities		(113)	(136)	(179)
Loans		40	28	67
		246	263	231
Investments in associates		487	406	411
Other financial investments		20,758	22,732	21,506
		<u>23,009</u>	<u>25,194</u>	<u>23,780</u>
Assets held to cover linked liabilities		4,161	4,317	4,349
Reinsurers' share of technical provisions		303	467	325
Debtors		385	424	457
Other assets		295	213	432
Prepayments and accrued income		433	497	484
Total assets		<u><u>28,856</u></u>	<u><u>31,400</u></u>	<u><u>30,107</u></u>
Liabilities				
Capital and reserves				
Called up share capital		271	804	246
Share premium		1,081	5	1,081
Own shares held		(2)	-	-
Capital reserve		292	292	292
Profit and loss account		197	(929)	70
Equity		<u>1,839</u>	<u>155</u>	<u>1,689</u>
Non-equity		<u>-</u>	<u>17</u>	<u>-</u>
Shareholders' funds	7	1,839	172	1,689
Fund for future appropriations		522	138	612
Gross technical provisions		20,865	23,924	21,881
Technical provisions for linked liabilities		4,161	4,317	4,349
Provision for other risks and charges		239	237	254
Debenture loans		356	1,415	357
Amounts owed to credit institutions		257	258	257
Creditors, accruals and deferred income		617	939	708
Total liabilities		<u><u>28,856</u></u>	<u><u>31,400</u></u>	<u><u>30,107</u></u>

Approved by the Board of Directors on 25 August 2004

HHG PLC

ASX Appendix 4D

For the half year ended 30 June

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 30 June 2004

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Net cash outflow from operating activities	(118)	(373)	(362)
Returns on investments and servicing of finance	-	(29)	(74)
Taxation	1	15	(3)
Capital expenditure	1	-	4
Acquisitions and disposals	50	-	3
Financing activities	112	(34)	414
Net cash flows available for investment	<u>46</u>	<u>(421)</u>	<u>(18)</u>
Cash flows were invested as follows:			
Decrease in cash holdings	(68)	(2)	(99)
Net purchases/(sales) of investments	114	(419)	81
Net investment of cash flows	<u>46</u>	<u>(421)</u>	<u>(18)</u>

The Cash Flow Statement does not include any amounts relating to long term business except cash transactions between the long term business and shareholders' fund and movements in the cash held by the Pacific fund.

Reconciliation of profit/(loss) on ordinary activities to net cash outflow from operating activities

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Profit/(loss) on ordinary activities before non-operating exceptional items and taxation	35	(909)	(867)
Adjustments for financing expenses and items not involving movements of cash:			
Depreciation of tangible fixed assets	3	6	9
Amortisation and impairment of goodwill	10	297	307
Amortisation and write-off of deferred issue costs	-	-	11
Decrease in creditors arising out of direct insurance operations	-	(10)	(10)
Decrease in technical provisions	(6)	(1)	(7)
Decrease in acquired PVIF	-	19	23
Unrealised losses on investments	2	384	379
(Profit)/loss from interest in associates	(1)	10	7
Movement in other assets	(52)	(358)	(355)
Movement in other liabilities	(56)	59	96
(Profits)/losses relating to long-term business funds, excluding Pacific fund	(52)	98	(19)
Loan interest expense	-	32	64
Cash outflow from termination of TLI	(1)	-	-
Net cash outflow from operating activities	<u>(118)</u>	<u>(373)</u>	<u>(362)</u>

NOTES TO THE ACCOUNTS

1. Basis of preparation

The results for the six months ended 30 June 2004 have been prepared on the basis of the accounting policies set out in HHG PLC's 2003 Full Annual Financial Report and Accounts, subject to the changes set out below. The results for the six months ended 30 June 2004 and 2003 are unaudited but have been reviewed by the auditor. These do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 2003 have been taken from the HHG PLC's 2003 Full Annual Financial Report and Accounts. The auditor has reported on the 2003 accounts and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. HHG PLC's 2003 Full Annual Financial Report and Accounts has been filed with the Registrar of Companies.

The provisions of the Statement of Recommended Practice on Accounting for Insurance Business, issued by the Association of British Insurers in November 2003, have been adopted in these financial statements and resulted in the derecognition of a securitised asset (30 June 2003: £135m; 31 December 2003: £111m), the recognition of additional deferred acquisition costs (30 June 2003: £nil; 31 December 2003: £45m) and a reduction in the long term business provision (30 June 2003: £135m; 31 December 2003: £66m). This has had no impact on current or comparative period HHG Group results but has resulted in reallocations between captions within the balance sheet and within the profit and loss account.

In April 2004, the Accounting Standards Board issued FRS 20 "Share based payments" which sets out the accounting treatment for employee share schemes. HHG PLC has adopted this accounting standard for all share based payment schemes established in first half 2004 resulting in an expense of £1m being recognised. No prior period adjustments are required.

The UITF Abstract 37 "Purchases and sales of own shares" requires HHG Group's holdings in its own shares to be deducted from equity shareholders' funds and not included in assets. In addition, movements in own shares are taken directly to shareholders' funds. The UITF Abstract 38 "Accounting for ESOP trusts" requires own shares held by employee share trusts to be deducted from capital in arriving at shareholders' funds rather than being held as assets. In respect of these, £2m of own shares have been presented separately on the face of the balance sheet at 30 June 2004. No prior period adjustments were required as no own shares were held in 2003.

2. Segmental information – HHG Group operating profit and net assets

2.1 Operating profit – Henderson

	6 months 2004	6 months 2003	Full year 2003
	£m	£m	£m
Revenue			
Total fee income	116	94	193
Investment income	3	1	3
Total revenue	119	95	196
Expenses			
Operating expenses	(92)	(78)	(157)
Depreciation	(2)	(4)	(7)
Total expenses	(94)	(82)	(164)
Operating profit	25	13	32

Total fee income includes £23m (six months 2003: £22m; full year 2003: £44m) relating to insurance companies within the HHG Group.

HHG PLC

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For the half year ended 30 June

NOTES TO THE ACCOUNTS (continued)

2. Segmental information – HHG Group operating profit and net assets (continued)

2.2 Operating profit/(loss) before exceptional costs, amortisation of goodwill and acquired PVIF – Life Services

	6 months 2004 £m	Restated 6 months 2003 £m	Restated Full year 2003 £m
Earned premiums, net of reinsurance	476	876	1,658
Claims incurred, net of reinsurance	(1,854)	(1,735)	(4,211)
Net investment return	238	873	1,465
Operating expenses and other technical charges	(92)	(158)	(305)
Changes in other technical provisions, net of reinsurance	1,147	(206)	1,613
Taxation	(2)	(71)	(46)
Transfer from/(to) the fund for future appropriations	90	389	(85)
Total from/(to) the long term technical account	<u>3</u>	<u>(32)</u>	<u>89</u>
General insurance	6	4	12
Service Company	2	(18)	(8)
Shareholder interests	21	6	(12)
Operating profit/(loss)	<u><u>32</u></u>	<u><u>(40)</u></u>	<u><u>81</u></u>

2.3 Operating profit/(loss) – other businesses

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Towry Law	(1)	1	1
Virgin Money	1	(1)	2
AMPLE	-	(2)	(6)
Operating loss	<u><u>-</u></u>	<u><u>(2)</u></u>	<u><u>(3)</u></u>
	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Towry Law			
Revenue	24	24	48
Expenses	(25)	(23)	(47)
Operating (loss)/profit	<u><u>(1)</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

HHG PLC

ASX Appendix 4D
For the half year ended 30 June

NOTES TO THE ACCOUNTS (continued)

2. Segmental information – HHG Group operating profit and net assets (continued)

2.4 Geographical analysis of operating profit

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Henderson			
United Kingdom	24	16	37
Europe	3	(1)	(2)
United States	(2)	(3)	(5)
Other overseas	-	1	2
Operating profit	<u>25</u>	<u>13</u>	<u>32</u>
	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Towry Law			
United Kingdom	-	1	1
International	(1)	-	-
	<u>(1)</u>	<u>1</u>	<u>1</u>

All other operating profit/(loss) arises in the United Kingdom.

2.5 Net assets by business and geographical segment

	30 Jun 2004 £m	30 Jun 2003 £m	31 Dec 2003 £m
Henderson:			
United Kingdom	303	278	288
Europe	54	64	64
United States	12	8	12
Other overseas	9	19	9
Total Henderson	<u>378</u>	<u>369</u>	<u>373</u>
Life Services	1,386	827	1,177
Other Businesses	21	66	73
Corporate	55	(34)	68
Net assets	<u>1,840</u>	<u>1,228</u>	<u>1,691</u>
Financed by:			
Capital and reserves	1,839	172	1,689
External loans	1	1,056	2
	<u>1,840</u>	<u>1,228</u>	<u>1,691</u>

The net assets of Life Services, Other Businesses and Corporate are employed in the United Kingdom.

HHG PLC

ASX Appendix 4D
For the half year ended 30 June

NOTES TO THE ACCOUNTS (continued)

3. Segmental information – long term business

Almost all business is direct and written in the United Kingdom in respect of continuing operations.

3.1 Analysis of gross premiums written

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Premiums from individuals	444	737	1,494
Premiums from group contracts	35	140	170
	<u>479</u>	<u>877</u>	<u>1,664</u>
Life business	136	196	353
Annuity business	51	109	193
Pension business	292	572	1,118
	<u>479</u>	<u>877</u>	<u>1,664</u>

3.2 Analysis of gross premiums written by way of direct insurance split by premium type

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Regular premiums	300	418	754
Single premiums	179	459	910
	<u>479</u>	<u>877</u>	<u>1,664</u>

3.3 Analysis of gross premiums written by way of direct insurance split by contract type

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Non-profit contracts	158	240	469
With-profits contracts	212	332	686
Linked contracts	109	305	509
	<u>479</u>	<u>877</u>	<u>1,664</u>

HHG PLC

ASX Appendix 4D
For the half year ended 30 June

NOTES TO THE ACCOUNTS (continued)

3. Segmental information – long term business (continued)

3.4 Analysis of new gross written premiums

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Life business	-	37	35
Annuity business	51	108	87
Pension business	131	334	823
	<u>182</u>	<u>479</u>	<u>945</u>

Industrial branch premiums of £13m (six months 2003: £17m; full year 2003: £36m) are classified as regular premium with-profits life business in the above analysis.

3.5 New business annual premium equivalent

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Annual premium equivalent	<u>21</u>	<u>66</u>	<u>126</u>

3.6 Analysis of new gross premiums written by way of direct insurance

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Regular premiums (annualised)	3	20	35
Single premiums	179	459	910
	<u>182</u>	<u>479</u>	<u>945</u>
Non-profit contracts	135	210	426
With-profit contracts	11	89	206
Linked contracts	36	180	313
	<u>182</u>	<u>479</u>	<u>945</u>

In classifying new business premiums, the basis of recognition adopted is as follows:

- Incremental increases on existing policies are classified as new business premiums;
- Rebates from the Department of Social Security are classified as new single premiums; and
- Funds at retirement under individual pension contracts left with the HHG Group are classified as new business single premiums and for accounting purposes are included in both claims incurred and as single premiums within gross written premiums.

NOTES TO THE ACCOUNTS (continued)

3. Segmental information – long term business (continued)

3.7 Analysis of balance on technical account

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Non-linked:			
Life and annuity business	(4)	(6)	20
Pension business	(2)	(110)	(52)
Shareholders' attributable assets	(7)	(170)	(173)
	<u>(13)</u>	<u>(286)</u>	<u>(205)</u>
Linked:			
Life business	4	-	1
Pension business	7	5	3
	<u>11</u>	<u>5</u>	<u>4</u>
Balance on technical account – long term business	<u><u>(2)</u></u>	<u><u>(281)</u></u>	<u><u>(201)</u></u>

4. Exceptional items

Non-operating exceptional items have arisen from the disposal/termination of the following businesses:

On 27 April 2004 HHG Virgin Holdings Limited's (subsequently renamed HHG (VH) Limited) equity interest in Virgin Money Group Limited was sold to Virgin Group Investment Limited. Also on this date, the loan from Pearl to Virgin Money Group Limited was sold to Virgin Management Limited for £90m. £50m of this consideration was received on completion of the deal, £20m will become due 12 months after the date of completion and the final £20m will be payable 24 months after the date of completion. The net consideration was £75m, reflecting the discounting of amounts receivable in future years, provisions in respect of certain indemnities given under the transaction and transaction expenses. A profit of £18m was recorded on the disposal.

On 27 May 2004, Towry Law announced that it would close its international operations (TLI) to new business resulting in a loss of £7m arising from costs of terminating those operations. A cash outflow of £1m arose in respect of this in the six months ended 30 June 2004.

HHG PLC

ASX Appendix 4D
For the half year ended 30 June

NOTES TO THE ACCOUNTS (continued)

5. Earnings per share

5.1 Basic earnings per share

	Profit/(Loss)			Basic earnings per share		
	6 months 2004	6 months 2003	Full year 2003	6 months 2004	6 months 2003	Full year 2003
	£m	£m	£m	pence	pence	pence
Profit/(loss) after taxation attributable to members of the parent company	37	(873)	(847)	1.4	(191.5)	(119.6)
Less: Preference share dividends	-	-	(1)	-	-	(0.1)
Basic earnings/earnings per share	37	(873)	(848)	1.4	(191.5)	(119.7)
Basic weighted average number of 10p shares (millions)	2,584	456	708			

5.2 Diluted earnings per share

	Profit/(Loss)			Diluted earnings per share		
	6 months 2004	6 months 2003	Full year 2003	6 months 2004	6 months 2003	Full year 2003
	£m	£m	£m	pence	pence	pence
Profit/(loss) after taxation attributable to members of the parent company	37	(873)	(847)	1.4	(191.5)	(119.6)
Less: Preference share dividends	-	-	(1)	-	-	(0.1)
Diluted earnings/earnings per share	37	(873)	(848)	1.4	(191.5)	(119.7)
Diluted weighted average number of 10p shares (millions)	2,595	456	708			

Basic and diluted earnings per share have been calculated on the profit/(loss) attributable to equity shareholders.

On 26 November 2003 the High Court of Justice in England confirmed a reduction in the authorised share capital of HHG PLC from £2,350m to £27m and as part of this arrangement, 759,870,000 ordinary shares of £1, all of the 16,770,000 'A' redeemable preference shares of £1 and all of the 1,350,704,312 preferred ordinary shares of £1 in issue were cancelled and extinguished. Subsequently, on Demerger from AMP Limited Group on 12 December 2003, the remaining ordinary shares of £1 were sub-divided into ordinary shares of 10p. To enable fair comparison, the weighted average numbers of shares have been calculated on the basis that the number of 10p ordinary shares that were in issue on 12 December 2003 were equivalent to the total number of £1 ordinary shares and £1 ordinary preferred shares on 26 November 2003.

NOTES TO THE ACCOUNTS (continued)

6. Longer term investment return

The longer term return is calculated separately for general insurance business and certain long term business operations. In respect of equities, gilts and cash the return is calculated by multiplying the opening market value of the investments by the longer term rate of investment return. The longer term rate of investment return is set by reference to the market redemption yields at the measurement date. The allocated longer term return for other investments is the actual income receivable for the period.

Principal assumptions underlying the longer term investment return

	30 Jun 2004	30 Jun 2003	31 Dec 2003
	%	%	%
Equities	8.5	7.9	8.0
Gilts	4.9	5.0	5.0
Cash	3.8	3.5	3.7

7. Reconciliation of movement in shareholders' funds

	6 months 2004	6 months 2003	Full year 2003
	£m	£m	£m
Shareholders' funds at 1 January	1,689	1,045	1,045
Total recognised gains/(losses)	36	(873)	(850)
Dividend on non-equity shares	-	-	(1)
Redemption of £249m 'C' preference shares	-	(249)	(249)
Issue of £249m ordinary shares	-	249	249
Consideration for acquisition of Henderson Global Investors (Jersey) Limited and its subsidiaries from AMP Group	-	-	(28)
Issue of £27m preferred ordinary shares	-	-	27
Issue of £1,323m preferred ordinary shares	-	-	1,323
Issue of £65m ordinary 10p shares at a premium of £125m	-	-	190
Application of capital reserve to repay preference shares	-	-	(17)
Increase in own shares held (note a)	(2)	-	-
Proceeds from capital raising (note b)	115	-	-
Movement in equity settled share scheme expenses (note c)	1	-	-
Shareholders' funds	<u>1,839</u>	<u>172</u>	<u>1,689</u>

Notes:

a. During the period shares in HHG PLC were acquired by certain policyholder funds and an Employee Benefit Trust, the cost of which has been deducted from equity shareholders' funds in accordance with UITF37 and UITF 38.

b. On 31 March 2004, HHG PLC issued 246,160,000 ordinary shares of 10p each at a price of 48p for consideration of £115m (net of expenses of £3m) through HHG Capital (Jersey) Limited, a special purpose entity. £25m was taken to share capital and the balance of £90m was initially taken to a merger reserve but then transferred to the profit and loss reserve following the redemption of shares in HHG Capital (Jersey) Limited.

c. Increase in shareholder funds arises from the application of FRS20 to equity settled share scheme expenses reflected within operating profit.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of HHG PLC, it is the opinion of the directors that:

- The financial statements and notes of the consolidated entity set out on pages 14 to 25:
 - Give a true and fair view (as set out in section 305 of the Australian Corporations Act) of the consolidated entity's financial position as at 30 June 2004 and of its performance for the half year ended on that date; and
 - Have been prepared 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.
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Roger Yates

Chief Executive

25 August 2004

ASX Appendix 4DFor the half year ended 30 June 2004

HHG PLC have chosen to publish a half-yearly report ("the Interim Statement") on their activities and financial information covering the first six months of their financial year as an advertisement in a national newspaper (The Financial Times). The Interim Statement includes summarised information extracted from this report ("the Announcement of Interim Results"). The Interim Statement has been subject to review. The independent review report to HHG PLC on the Interim Statement is reproduced below:

INDEPENDENT REVIEW REPORT TO HHG PLC**Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 which comprises the Summarised Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Summarised Consolidated Balance Sheet and the Summarised Consolidated Cash Flow Statement. We have read the other information contained in the interim statement 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 statement, 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 statement 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 United Kingdom Auditing Standards 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 2004.

Ernst & Young LLP

Registered Auditor, London
25 August 2004

ASX Appendix 4D

For the half year ended 30 June 2004

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES

Contributions to net profit after taxation attributable to shareholders of HHG PLC from controlled entities gained or lost during the year are not material.

Controlled entities gained during first half 2004

Name of entity	Date control gained over entity
Henderson Central London Office Fund	4 March 2004
Henderson UK Shop Fund	15 March 2004
HHG Capital (Jersey) Limited	29 March 2004
Pearl Jersey Property Fund	7 May 2004
NPL Jersey Property Fund	7 May 2004
London Life Jersey Property Fund	7 May 2004
Pearl Tanners/Brunswick Jersey Property Fund	7 May 2004
Pearl Gillingham Jersey Property Fund	7 May 2004
NPL Gillingham Jersey Property Fund	7 May 2004

Controlled entities lost during first half 2004

Name of entity	Date of loss of control over entity
Outlet Mall Holdings Sarl	14 January 2004
Interactive Investor Markets (Asia) Limited	30 January 2004
Interactive Investor Trading Limited	17 February 2004
CLOF (Broadway) Jersey Nominee A Limited	5 March 2004
CLOF (Broadway) Jersey Nominee B Limited	5 March 2004
CLOF (Ellerman House) Jersey Nominee A Limited	5 March 2004
CLOF (Ellerman House) Jersey Nominee B Limited	5 March 2004
CLOF (Holbrook House) Jersey Nominee A Limited	5 March 2004
CLOF (Holbrook House) Jersey Nominee B Limited	5 March 2004
CLOF Jersey General Partner	5 March 2004
CLOF Jersey Nominee A Limited	5 March 2004
CLOF Jersey Nominee B Limited	5 March 2004
CLOF (St Martins Place) Jersey Nominee A Limited	5 March 2004
CLOF (St Martins Place) Jersey Nominee B Limited	5 March 2004
Shop Fund Jersey GP	15 March 2004
Shop Fund Jersey Nominee A Limited	15 March 2004
Shop Fund Jersey Nominee B Limited	15 March 2004
Henderson UK Shop Fund	16 March 2004
Pearl (Premier Park 1) Limited	16 March 2004
Pearl (Premier Park 2) Limited	16 March 2004
Pearl (Brunswick 1) Limited	11 May 2004
Pearl (Brunswick 2) Limited	11 May 2004

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DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES (continued)**Controlled entities lost during first half 2004 (continued)**

Name of entity	Date of loss of control over entity
Pearl (Blakelands 1) Limited	11 May 2004
Pearl (Blakelands 2) Limited	11 May 2004
NPI Properties Limited	25 May 2004
Towry Law Quest Trustees Limited	25 May 2004
Interactive Investor Solutions Limited	8 June 2004
Towry Law (Bevingtons) Limited	22 June 2004
Snalie Limited	22 June 2004

HHG PLC

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For the half year ended 30 June 2004

DETAILS OF INVESTMENTS IN ASSOCIATED ENTITIES AND JOINT VENTURE ENTITIES

With the exception of Virgin Money Group Limited, contributions to the net profit after taxation attributable to shareholders of HHG PLC from associated and joint venture entities are not material.

Joint venture entities

	Ownership interest		
	30 Jun 2004	30 Jun 2003	31 Dec 2003
	%	%	%
Property partnerships:			
The Buchanan Galleries Partnership	50	50	50
The Potteries Shopping Centre Limited Partnership	50	50	50
The Printworks Leisure Scheme Trust	50	-	-
The Premier Greenford Limited Partnership	-	50	50
The Romford Brewery Trust	-	50	-
Towry Law Mortgage Services Limited	50	50	50

Associated entities

	Ownership interest		
	30 Jun 2004	30 Jun 2003	31 Dec 2003
	%	%	%
Virgin Money Group Limited	-	50	50
(see note 4 to the accounts for details of £18m profit arising on disposal)			

Property partnerships:

The Henderson UK Shop Fund	50	-	-
The Henderson French Property Fund	41	41	41
The Covent Garden Limited Partnership	37	19	19
The Bull Ring Limited Partnership	33	33	33
The Moor House Limited Partnership	33	33	33
The Henderson (UK) Retail Warehouse Fund	29	38	38
The Pradera European Retail Fund	15	17	17
The Printworks Leisure Scheme Trust	-	38	38
Innisfree PFI	-	25	-

GLOSSARY

“annuity”	a periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums
“CDO”	Collateralised Debt Obligations
“closed” or “closed book”	a book of business with no new customers, although there are limited volumes of new business, for example, to meet contractual obligations to existing policyholders or to cater for new members to certain group schemes
“Companies Act 1985”	the United Kingdom Companies Act 1985, as amended
“Corporations Act 2001”	the Australian Corporations Act 2001
“Embedded Value”	an actuarially determined estimate of the economic value of the shareholder capital in the business and the profits expected to emerge from the business in-force
“general insurance”	non-life insurance covering risks such as motor vehicle liability, fire and damage to property
“in-force business”	long-term business which has been written before a specified date and which has not terminated before that date
“liquidity”	net cash flows available for investment in the Summarised Consolidated Cash Flow Statement
“long-term fund”	a segregated fund of assets and liabilities established and maintained by a life insurance company for the purpose of supporting a long-term business
“non-profit policy”	a policy where the value of the policy or product is either linked directly to the performance of the underlying assets (such as a unit linked policy), or is guaranteed by the insurer. Also known as non-participating policy
“OEIC”	open-ended investment company
“PVIF”	present value of in force business. This represents the discounted future margins on an in force portfolio of long-term business. It is only recognised on the balance sheet when it has been acquired for value and is then amortised over its expected life
“reinsurance”	the insuring again by an insurer of the whole or part of a risk that it has already insured for a customer with another insurer called a reinsurer. The expression “reassurance” is sometimes used to describe the same arrangements when made by a life insurance company
“Required Minimum Margin”	the required minimum margin, i.e. the margin of assets over and above their liabilities which all life insurers are required to keep
“run-off”	the administration of insurance portfolios that have been closed to new business
“traditional”	when used in respect of an Embedded Value or value of new business, an approach which allows for risk and uncertainty in a relatively simple way, through the choice of the rate used to discount expected profits and flows of supporting capital back to the present

GLOSSARY (continued)

“unit trust”	a trust in which investors (unit holders) obtain an interest. Unlisted trusts often permit investors to exit their investment by having their units purchased or redeemed at a price closely reflecting the underlying market value of the trust’s investments
“with-profits units”	notional units whose value or number varies by reference to premiums paid, to bonuses declared or surpluses otherwise distributed for the purposes of calculating benefits payable under policies