

2005 Full-Year Results

28 February 2006

- Henderson Group operating profit before tax from continuing operations of £63.4 million (2004: £53.0 million), reflecting solid progress in Henderson Global Investors, cost savings in Corporate and higher returns on Corporate cash.
- Henderson Group operating profit before tax from all operations of £64.0 million (2004: £123.1 million loss).
- Henderson Global Investors pre-tax profit up 9%, at £62.9 million, compared to £57.5 million in 2004. This reflects higher management fee and performance fee income.
- Henderson Global Investors improved cost to income ratio, to 75.5% for 2005 from 76.4% in 2004.
- Total assets under management of £67.7 billion at 31 December 2005, compared with £69.1 billion at 31 December 2004.
- Surplus capital of approximately £200million.

Comment from Chief Executive, Roger Yates

“It is a little over two years since the demerger from AMP Limited and the listing of Henderson Group on the London and Australian Stock Exchanges. In that time, we have worked steadily to turn Henderson Group into a pure fund management company while delivering value to shareholders through this process. At the same time, we have been working hard to improve Henderson Global Investors as a fund management company. The business is now delivering improved investment performance, net fund inflows into the higher margin areas of the business and growth in margins and profits.”

Operating profit before tax for continuing operations increased 20% from 2004 to £63.4 million in 2005. Net profit after tax from continuing operations was £51.9 million in 2005, up 6% from 2004. Net profit after tax from all operations was £47.7 million in 2005 compared with a loss of £173.2 million in 2004. The 2005 income tax charge for the Group included an £11.5 million charge for continuing operations, with an effective tax rate of 18%. The effective tax rate for the Group overall was 25.5%. As previously indicated, we expect the effective tax rate for the continuing operations to rise closer to the expected rate, i.e. 30%, over the medium term.

Henderson Global Investors – inflows into higher margin business

Operating profit before tax for Henderson Global Investors was £62.9 million – up 9% from £57.5 million in 2004. This reflects the focus on higher margin products and improved investment performance.

Total fee income in 2005 was £247.2 million, up 5% from £235.4 million in 2004, due to higher management fee income (up 3% to £196.3 million) and an increase in performance fee income (up 42% to £26.5 million). Transaction fee income was lower in 2005, down 7% to £24.4 million largely as a result of lower Private Capital fees.

Investment income increased 25%, from £7.9 million in 2004 to £9.9 million in 2005, due to higher cash balances.

Total operating expenses increased by 5% to £189.1 million in 2005. Savings in non-staff costs were offset by an anticipated increase in staff expenses, due principally to variable remuneration schemes reflecting improved operational performance and higher pension service costs.

Overall, the increase in total revenue more than offset the higher costs in 2005 resulting in an improvement in the cost to income ratio from 76.4% in 2004 to 75.5% in 2005. For 2006, assuming benign markets, we expect to achieve a further 1.5% improvement in Henderson Global Investors' expense ratio.

Continued growth in higher margin business produced a more profitable product mix, with the total fee margin for Henderson Global Investors up from 34bps in 2004 to 37bps in 2005. Net margins increased from 8bps in 2004 to 9bps in 2005.

Total assets under management at the end of 2005 were £67.7 billion (down 2% on 31 December 2004). Client outflows were due to expected outflows associated with the closed life books of Pearl Group and the Institutional business. These outflows from Pearl Group funds (£2.8 billion) and Institutional mandates (£8.8 billion) were more than offset in terms of revenue and profit from net inflows into higher margin areas of £1.9 billion and favourable market and exchange rate movements of £8.3 billion.

Corporate office

Corporate costs were £12.8 million in 2005, down 18% from £15.6 million in 2004. This decline in Corporate costs was ahead of the £4 million per annum cost saving forecast given at the time of the sale of the Life Services business. These cost savings are due to lower shareholder servicing costs and operating a smaller Corporate office following the sale of the Life Services business. The outlook for 2006 is an operating cost figure for the Corporate office of approximately £10.0 million.

The return on Corporate cash was up significantly in 2005 (£13.3 million) compared to 2004 (£4.5 million). Although the majority of the proceeds of the sale of the Life Services business were returned to shareholders shortly after completion, the Group earned interest income on the retained sale proceeds of the Life Services business in 2005. The return on Corporate cash will fall in 2006 due to lower anticipated margins and cash balances.

Discontinued operations

Discontinued operations include the Life Services business, of which the sale completed in April 2005, and Towry Law UK, following the sale agreement with JS&P Holdings Limited announced in December 2005. The £0.6 million profit from discontinued operations comprises the Life Services business loss of £1.9 million to the date of its disposal on 13 April 2005, as reported in our 2005 interim results, and a full year profit of £2.5 million for Towry Law UK. Net profit before tax from all operations moved from a £123.1 million loss in 2004 (including the fair value adjustment to the Life Services business) to a £64.0 million profit in 2005.

The £0.9 million Towry Law UK operating profit for the six months to 31 December 2005 was lower than the £1.6 million profit in the first half of 2005 due to the seasonality of this business. Overall, we were pleased with the result for the year and with the agreement to sell the business. The sale price of £37 million in cash is approximately £11 million above the net asset value of the business at 31 December 2005. We anticipate receiving Financial Services Authority approval of the sale in March this year and therefore, a profit on disposal will appear in our first half 2006 accounts.

We continue to work with the Hong Kong Securities and Futures Commission to ensure that all Towry Law International legacy product issues are dealt with appropriately. We remain comfortable with the level of provisioning in place for Towry Law International legacy product mis-selling issues.

Balance sheet and liquidity

The balance sheet remains strong with good liquidity, no debt and appropriate provisions. Group net assets at 31 December 2005 were £647 million. We have identified current surplus capital and cash of approximately £200 million in the Group.

At the time of releasing our 2005 interim results, we said that we would return capital not required by the business to shareholders. Our preferred method is a straightforward capital reduction scheme, similar to that used for the return of capital in 2005 following the disposal of the Life Services business.

It is the Board's view that, in the absence of a strategic acquisition, this surplus capital will be returned to shareholders in 2006. We are currently reviewing a potential strategic opportunity and will update the market on the conclusion of this review in due course.

We will continue to review the efficiency of the Group's residual capital structure and consider introducing a prudent level of gearing to the balance sheet in 2006, as we prepare for the introduction of the new Capital Requirements Directive in January 2007.

Dividend

Our intention is to provide a sustainable flow of dividends into the future and, therefore, we are starting prudently with a dividend cover of 2x. The Directors recommend the payment of a dividend in respect of the six months ended 31 December 2005 of 1.39p per ordinary share (2004: £nil). We plan to pay the dividend on 26 June 2006 to shareholders on the register on 16 June 2006, subject to approval by shareholders at the AGM.

Outlook for full year 2006

For Henderson Group, 2005 was a transition year as we completed the disposal of non-core assets. In addition, we took steps to improve investment capabilities, to drive sales and improve margins in Henderson Global Investors. That work is now paying off. Investment performance is either good or improving, the new hires we made are now bedded into their teams and we have good sales momentum in key higher margin products and channels.

As a result, we expect further improvement in revenue margins and a further reduction in the cost to income ratio.

Finally, we have identified significant surplus capital in the business which we are looking at how best to deploy.

The business is in good shape and assuming benign market conditions, the prospects for Henderson Group are encouraging.

We will keep shareholders and the market informed of progress.

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The above financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2005 will be delivered to the Registrar.

Notes to editors

About Henderson Group plc

Henderson Group plc is headquartered in London and listed on the London and Australian stock exchanges. It is a member of both the FTSE 250 and the ASX 200 indices. Henderson Group consists of Henderson Global Investors, a leading European based investment manager with over £67.7 billion of assets under management and the Corporate office.

The focus of the Group is to build the asset management operations into a more profitable and valuable business.

In this announcement, the term “shareholders” refers to all holders of Henderson Group plc shares – including those whose holdings are in the form of CHES Depositary Interests on the Australian Stock Exchange.

Further information

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Details of Henderson Group’s 2005 full-year results teleconferences

Australia – 09.15am (Sydney time), 28 Feb / 22.15pm (London time), 27 Feb

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Australia	1800 032 175	(free call)
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