



Henderson Group plc

ASX Appendix 4D

Announcement of 2005 Interim Results

For the half year ended 30 June 2005

The information contained in this document should be read in conjunction with the Henderson Group plc (formerly HHG PLC) (the Company) Full Annual Financial Report and Accounts for the year ended 31 December 2004 and any public announcements made by the Company and its controlled entities (Henderson Group or the Group) during the year including the Preliminary IFRS Financial Statements for the year ended 31 December 2004 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.

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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

	30 Jun 2005	30 Jun 2004	Change 2004 to 2005
	£m	£m	%
Revenue from ordinary continuing activities (before eliminations)	157.6	153.6	2.6
Profit/(loss) from ordinary activities after taxation attributable to members	27.2	(40.9)	-
Net profit/(loss) for the period attributable to members	27.2	(40.9)	-

Dividends

No dividend on ordinary shares is proposed (30 June 2004: nil).

Net tangible assets per ordinary share

	30 Jun 2005	30 Jun 2004
	pence	pence
Net tangible assets per 10 pence ordinary share in issue	32	51

"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

The Group completed the sale of the Life Services business to Pearl Group Limited (formerly Life Company Investor Group Limited) on 13 April 2005 for a cash consideration of £1.070bn. As a result of this transaction, the Group has returned £871m of the proceeds to shareholders. Following the sale, the name of the Company was changed from HHG PLC to Henderson Group plc on 22 April 2005. Further details of the effect of the sale on the Group are provided at note 6 to the accounts.

The remaining Group comprises Henderson Global Investors, a pan-European investment manager, and Towry Law, an independent financial advisory (IFA) business. Detailed information on the sale of the Life Services business, the return of cash and reduction of investor base is available at www.henderson.com.

The results for the half year ended 30 June 2005 have been prepared on an International Financial Reporting Standards (IFRS) basis using the accounting policies set out in Henderson Group plc's 2004 Preliminary IFRS Financial Statements. These statements included a reconciliation of the consolidated equity and consolidated profit/(loss) position as stated in the 2004 HHG PLC Full Annual Financial Report and Accounts on a UK Generally Accepted Accounting Practice (UK GAAP) basis to the IFRS basis now used. There have been no changes to the Group's accounting policies since the 2004 Preliminary IFRS Financial Statements were released.

The results of the group for the six months to 30 June 2005 are summarised below, with comparatives:

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Henderson Global Investors	38.0	36.2	57.5
Towry Law UK	1.6	(0.1)	(0.2)
Corporate costs	(7.2)	(8.1)	(15.6)
Return on corporate cash	4.6	1.5	4.5
	37.0	29.5	46.2
Exceptional restructure costs	-	-	(10.4)
Impairment of goodwill	-	-	(1.4)
Transfers between continuing and discontinued operations	-	(0.8)	15.0
	37.0	28.7	49.4
Total operating profit from continuing operations before tax	37.0	28.7	49.4
Discontinued operations	16.7	(17.0)	(0.6)
Loss on fair value adjustment to Life Services business	-	-	(183.2)
(Loss)/profit on disposal of discontinued operations	(18.6)	11.3	13.1
Removal of profit on disposal of HHG Invest by Pearl SHF to Henderson Group plc	-	(1.8)	(1.8)
	35.1	21.2	(123.1)
Net profit/(loss) before tax from all operations	35.1	21.2	(123.1)
Taxation – continuing operations	(6.6)	(9.4)	(3.3)
Taxation – discontinued operations	(4.8)	(6.7)	(46.8)
Taxation – total	(11.4)	(16.1)	(50.1)
	23.7	5.1	(173.2)
Net profit/(loss) after tax from all operations	23.7	5.1	(173.2)
Equity holders of the parent	27.2	(40.9)	(220.1)
Minority interests – discontinued operations	(3.5)	46.0	46.9
	23.7	5.1	(173.2)
Henderson Global Investors			
Assets under management	£66.5bn	£68.4bn	£69.1bn
Cost to income ratio	70.6%	71.9%	76.4%

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

The Group result

The Group adopted IFRS for financial reporting purposes from 1 January 2005. Previously, Henderson Group prepared its consolidated financial statements in accordance with UK GAAP. The financial results set out in this report for the half year ended 30 June 2005, including all comparatives, represent the first set of results for the Group prepared in accordance with IFRS. The first set of IFRS annual financial statements will be published in the Full Annual Financial Report and Accounts for the year ending 31 December 2005. The information has been prepared on the basis of the IFRS currently in issue and the Group's current understanding of how these standards should be applied. The standards in issue are subject to ongoing discussion, review and interpretation by the European Union (EU), the asset management industry and the accountancy profession. Their application continues to be subject to review by the International Financial Reporting Interpretation Committee.

The Group published its Preliminary IFRS Financial Statements for the year ended 31 December 2004 on 24 June 2005, which summarised the principal effects of IFRS on the comparative financial information for 2004 and included a reconciliation between data previously reported in respect of 2004 under UK GAAP and under IFRS. This information is available at www.henderson.com. Reconciliations of Consolidated Shareholders' Equity under UK GAAP as at 31 December 2004 to Consolidated Shareholders' Equity as reported under IFRS and of profit after taxation under UK GAAP for 2004 to the loss after taxation under IFRS are set out in note 2 to the accounts, 'First time adoption'.

The Group operating profit before tax from continuing operations was £37.0m, an increase of £8.3m (29%) on first half 2004. This reflects steady progress in Henderson Global Investors and Towry Law with improved results of £38.0m (first half 2004: £36.2m) and £1.6m (first half 2004: £0.1m loss) respectively. Corporate costs were £7.2m (first half 2004: £8.1m) and net income from corporate cash balances was £4.6m including returns on proceeds of the Life Services business disposal (first half 2004: £1.5m).

Profit before tax for the Life Services business in the period from 1 January 2005 to the disposal date, 13 April 2005, was £16.7m (first half 2004: £17.0m loss). After the deduction of taxation (£4.8m) and the addition of post tax losses attributable to the minority interests (£3.5m) in the Life Services business, the profit after tax attributable to equity shareholders in respect of the discontinued business, equates to £15.4m. A further net profit after tax of £3.2m, which has been accounted for through the Consolidated Statement of Recognised Income and Expense, is attributable to equity shareholders. As a result of these items, there is a further loss arising on the sale of the Life Services business in first half 2005 of £18.6m. This compares to a profit on disposal of discontinued operations in first half 2004 of £11.3m, comprising profit on sale of Virgin Money Group Limited of £18.5m, offset by loss on termination of Towry Law International operations of £7.2m.

Henderson Global Investors

Henderson Global Investors' objective is to build a scaleable, profitable pan-European active investment management business, based on its core equity and fixed interest investment capabilities and emerging alternative products, such as property and private capital.

To achieve this, Henderson Global Investors seeks to:

- deliver saleable investment performance;
- develop a sustainable entrepreneurial culture to attract and retain the best people;
- leverage market ideas to support a "fast-follower" strategy in core products and a leading edge position in specialist products;
- improve profitability by selling higher margin products; and
- deliver an annual cost to income ratio of 75% over the short to medium term.

Improved first half 2005 result – 5% up on first half 2004

Operating profit before tax for Henderson Global Investors in first half 2005 was £38.0m, up 5% from £36.2m in first half 2004. This performance reflects management's focus on improving total fee margins on assets managed.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Henderson Global Investors (continued)

Improved first half 2005 result – 5% up on first half 2004 (continued)

Total fee income in first half 2005 was £124.9m, down 1% from £125.8m in first half 2004. Management fee income decreased by 2% to £95.3m in first half 2005 mainly due to Institutional client outflows, prior year client losses, restructures of certain investment trust contracts and the continuing run-off in Pearl Group Limited funds. Lower fees from these product groups have been largely offset by continued growth in higher margin business lines.

Hedge funds, Horizon, US mutual funds, Private Capital, CDOs and the prior year launch of new Property funds have all contributed to the steady growth in higher margin business lines. As a result of this growth and more profitable product mix, the total fee margin for Henderson Global Investors continued to improve from 36.4bps in first half 2004 to 37.1bps in first half 2005. This includes investment performance fees which increased by 23% to £16.6m in first half 2005 partly offset by a 14% reduction in transaction fee income to £13.0m.

Total operating expenses decreased by 1% to £89.8m in first half 2005 as reductions in business-as-usual costs were partly offset by increased investment in people. The majority of the increase related to variable staff costs such as incentivisation arrangements for new investment management professionals. Certain of these new appointments are discussed further below.

The reduction in expenditure delivered an improvement in the cost to income ratio to 70.6% in the first half 2005 compared to 71.9% in first half 2004.

Investment performance and distribution

Henderson Global Investors has won a total of 12 investment performance awards in first half 2005, including seven Standard & Poor's first place awards.

During first half 2005, management has continued to recruit investment professionals to strengthen the fixed income and equities investment management franchises. Following the appointment of David Jacob as Head of Fixed Income in 2004, Gareth Quantrill has been appointed Head of Credit, Phil Apel as Head of Interest Rate Strategy and Mitesh Sheth as Investment Director of Liability Driven Investment.

In his new role as Head of Equities, Andrew Formica has also taken action to improve the equities team, through a reorganisation of roles and responsibilities within the team as well as new additions to critical areas. These additions include Graham Kitchen, previously Head of UK Equities at Threadneedle, who has been appointed Head of UK Equities. He will be joined by Andy Jones, from Invesco Perpetual, as Director of UK Equities. Andrew Beal, previously with Nicholas Applegate Capital Management in San Diego, has been appointed Director, Asia Pacific Equities whilst Bill McQuaker joins from CSFB as the new Head of Multi-Manager. All of these appointments are significant and are designed to deliver improved investment performance across a range of equities and fixed income investment capabilities.

For first half 2005, 59% of funds beat benchmark. This is the result of good performance in higher margin product ranges like Horizon (90%), a return to form in traditional areas of strength such as the Investment Trust range (86%) and Fixed Income (69%), and good performance in the new product ranges like Enhanced Index funds (76%). The key Global Enhanced product delivered 75bps of outperformance over the 12 months to 30 June 2005. Of the with-profits insurance assets managed for Pearl Group Limited, 77% beat benchmark in 1H05. In contrast, the performance of the UK Equity and Balanced Pension Funds has been poor.

In addition to the new appointments in investment management, further actions have been taken to revitalise distribution capabilities. To recognise the growing similarities between Continental Europe and the UK and to extract efficiencies, the distribution business has been reorganised on a pan-European basis. This has resulted in four customer facing distribution teams focused on Institutional, UK Wholesale, Continental Europe Wholesale and Investment Trusts. These four teams are supported by a common infrastructure comprising Core Support and Product Management.

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REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Henderson Global Investors (continued)

Assets under management (AUM)

Total AUM decreased in first half 2005 from £69.1bn at the start of the period to £66.5bn at 30 June 2005. Net client outflows of £5.6bn were partly offset by favourable market and foreign exchange rate movements of £3.0bn. Net client outflows included £4.2bn of net outflows from institutional clients and £1.6bn of net outflows from Pearl Group Limited. Net inflows from higher margin alternative products (including Property, Hedge Funds, CDOs and Private Capital) were £0.5bn.

Summary of movements in AUM by distribution channel

	Opening AUM	Net flows	Market/FX	Closing AUM
	£bn	£bn	£bn	£bn
Retail – open ended	5.7	(0.1)	0.3	5.9
Retail – closed ended	3.5	(0.2)	0.1	3.4
Institutional	32.0	(3.7)	1.5	29.8
Pearl Group Limited	27.9	(1.6)	1.1	27.4
Total	69.1	(5.6)	3.0	66.5

AUM by type of asset

	30 Jun 2005	31 Dec 2004
	£bn	£bn
UK equity	15.3	16.3
International equity	11.0	11.5
Total equity	26.3	27.8
Fixed income	34.0	35.1
Property	5.6	5.6
Private equity	0.6	0.6
Total AUM	66.5	69.1

Other businesses

Towry Law

Towry Law continues to show a steady improvement in performance, with a return to profit in the period. The benefits of a number of restructuring initiatives undertaken in 2004 have started to come through, with lower costs in all areas of the business. Turnover has increased slightly in comparison to first half 2004, despite a 25% reduction in the number of business writers in the IFA division (mainly as part of the restructures noted above). This has been achieved against a background of difficult corporate markets and softening insurance rates.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Other businesses (continued)

Corporate office

Corporate office costs were £7.2m (first half 2004: £8.1m). Corporate office costs include investor relations and shareholder servicing costs, and certain finance and secretariat functions which are not directly attributable to individual business units. A substantial reorganisation of the corporate office took place in the second quarter of 2005 following the sale of the Life Services business. A number of corporate staff were transferred to the outgoing business or left the Group. In addition, an arrangement was made with Pearl Group Limited to provide Henderson Group plc with certain transitional services pending the completion of a number of separation projects. These projects are expected to be completed during second half 2005.

Together with the reduced shareholder servicing costs arising from the reduction of investor base in April, annualised corporate office cost savings are on track to reach the £4m previously announced.

Return on corporate cash

Return on corporate cash was £4.6m (first half 2004: £1.5m). This arises primarily on Group cash and liquid investments, but excludes cash and liquid investments held by each business unit to meet regulatory and other short term requirements.

Return on corporate cash was favourably impacted in first half 2005 by the proceeds from the sale of the Life Services business prior to the return of capital to shareholders, and from the balance of cash retained by the Group to cover warranties and indemnities provided to the purchaser. This favourable return was partly offset by a net payment by the Group of £1m in interest for the first quarter of 2005 arising on the balance of various outstanding inter-company loans with the discontinued operations prior to the Life Services business disposal. These loans were settled as part of the completion of the transaction.

Return on corporate cash does not include any income from the Group's strategic holding in Banca Popolare Italiana (BPI, formerly Banca Popolare di Lodi (BPL)), which has been shown within the Henderson Global Investors business unit result.

Discontinued business

Profit before tax for the discontinued Life Services business in the period from 1 January 2005 to the disposal date, 13 April 2005, was £16.7m (first half 2004: £17.0m loss). Profit up to the date of completion of £16.7m was mainly due to the release of prudential margins, increase in return on shareholders' interests and a reduced cost base ahead of lower levels of income expected within the Service Company.

Tax

The effective rate of tax for continuing operations in the Group Consolidated Income Statement for first half 2005 of 17.8% shows a favourable variance to the expected rate. This is due to changes in recognition of deferred tax assets for provisions and the utilisation of losses not previously recognised following the sale of the Life Services business, partly offset by non-deductibility of expenses.

Capital employed

The Group employs capital to manage day-to-day operations and meet regulatory capital requirements. As at 30 June 2005 the net assets of the continuing operations were £619.8m. This includes £247.9m of goodwill, which is an inadmissible asset for regulatory purposes. The balance of £371.9m is held to cover the Henderson Group consolidated and solo-entity capital requirements. These are approximately £90m for Henderson Global Investors, £10 million for Towry Law UK and corporate, and £30m held at Group level for working capital purposes. A further £50m has been allocated to cover warranties and indemnities in place as part of the disposal of the Life Services business, the balance represents the current surplus.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Consolidated Cash Flow Statement – 30 June 2005

	Group £m
Net cash flows from operating activities	(340.7)
Net cash flows from investing activities	(2,231.8)
Net cash flows from financing activities	(455.2)
Effects of exchange rate changes	0.7
Net (decrease) in cash and cash equivalents	(3,027.0)
Cash and cash equivalents at beginning of period	3,475.8
Cash and cash equivalents at end of period (continuing operations only)	448.8

The net (decrease) in cash equivalents is analysed as:

	£m
Continuing operations	156.2
Discontinued operations	(3,183.2)
	(3,027.0)

Cash and cash equivalents at beginning of period is analysed as:

	£m
Continuing operations	292.6
Discontinued operations	3,183.2
	3,475.8

Capital return

On 13 April 2005, the Group sold its Life Services business to Pearl Group Limited for consideration of £1.070bn. Of this, a total of £871m was returned to shareholders in early May 2005 through the cancellation of 1.558bn shares (approximately 57% of issued shares).

The net decrease of £3,027m in cash and cash equivalents reflects a decrease of £3,183m in the divested Life Services business against a net increase of £156m in the continuing operations. This net increase in the continuing operations primarily relates to operating profit and the consideration retained from the sale of the Life Services business to cover potential residual liabilities.

Pension Scheme

Defined benefit pension obligations as at 30 June 2005 are included in the Group Consolidated Balance Sheet, in line with the specific requirements of IAS 19, and are based upon an update of a previous actuarial valuation of the HHG Staff Pension Scheme as at 10 December 2004, which was carried out for the purpose of determining the split of the scheme on the sale of the Life Services business. This has introduced an element of approximation relative to the result of a full actuarial valuation for IAS 19. The actuarial assumptions used in the calculations are consistent with those used for the majority of UK company pension schemes.

As a consequence of the investment policy and the methodology and assumptions used for determining the scheme's liabilities under IAS 19, the difference between the market value of the scheme's assets and its IAS 19 liabilities (the IAS 19 surplus or deficit) is expected to fluctuate. The surplus or deficit could change materially from day to day and hence, the £44.1m deficit as at 30 June 2005 cannot be taken as an indication of the scheme's financial position on any date other than 30 June 2005. The increase in the deficit from £27.0m to £44.1m during the six months is due to a reduction in bond yields which has increased the scheme liabilities.

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REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Pension Scheme (continued)

The first full actuarial valuation of the demerged scheme is scheduled for 31 December 2005 and will include a review of post-retirement mortality assumptions.

(Loss)/profit on disposal of discontinued operations

The (loss)/profit arising on the disposal of discontinued operations comprises:

	30 Jun 2005	30 Jun 2004	31 Dec 2004
	£m	£m	£m
Life Services business	(18.6)	-	-
Virgin Money Group Limited	-	18.5	18.5
Towry Law International	-	(7.2)	(8.4)
Cogent	-	-	3.0
Total (loss)/profit on disposal/termination of businesses	(18.6)	11.3	13.1

Total loss on disposal of Life Services operations

In addition to the £18.6m loss on the disposal of the Life Services business shown above, impairment and disposal costs were recognised in both the 2004 UKGAAP financial statements and the 2004 IFRS preliminary financial statements. These are set out below:

Under UK GAAP, the 2004 financial statements recognised certain impairment and disposal costs in the year to 31 December 2004:

	£m
Write off PVIF	(10.0)
Write off NPI goodwill	(29.1)
Disposal costs recognised in 2004 under UK GAAP	(7.5)
Write downs and disposal costs recognised in 2004 UK GAAP financial statements	<u>(46.6)</u>

A further impairment of £136.6m was required under IFRS 5, to write down the net assets of the Life Services business to the fair value of the sale consideration, and recognised in the 31 December 2004 IFRS preliminary financial statements.

	£m
Consideration	1,070.2
Interest accrued to completion date	5.9
Settlement of loans	(5.9)
Consideration for BPI stakes	31.8
Disposal costs	(20.5)
Contribution to transferring pension scheme	(22.7)
Fair value of disposal group	<u>1,058.8</u>
Carrying value of Life Services business net assets (under IFRS)	<u>(1,195.4)</u>
Life Services impairment recognised in 2004 IFRS preliminary financial statements	<u><u>(136.6)</u></u>

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Total loss on disposal of Life Services operations (continued)

The total losses and impairments in respect of the sale of the Life Services business are, therefore:

Loss eliminating Life Services operations 2005 profit prior to disposal	(18.6)
Impairment to Life Services recognised in 2004 IFRS preliminary financial statements	(136.6)
Write downs and disposal costs recognised in 2004 UK GAAP financial statements	(46.6)
	<hr/>
Total loss on disposal of Life Services operations in 2004 and 2005 financial statements	(201.8)
	<hr/> <hr/>

Outlook

Henderson Global Investors is a well diversified business, operating throughout the UK and Continental Europe, with expanding operations in North America and Asia. The objective is to build the operation into a more profitable and valuable business by growing revenues and by continuing to orient the business to higher margin products. Management is focused on improving the cost to income ratio to an annualised target of 75% over the short to medium term. While investment markets are still likely to present some challenges, the Group has a strong foundation for sustained growth and profitability from the asset management operations of Henderson Global Investors.

Dividend

The Group expects to pay a final dividend in respect of the second half of 2005 in early 2006. Details will be included with the 2005 full year results announcement.

Regulation

Consolidated supervision

The disposal of the Life Services business has resulted in a change to the regulatory framework that Henderson Group plc is now subject to. Previously consolidated regulatory returns were produced for the Life Services business and Henderson Group separately. Towry Law is not required to produce consolidated prudential returns. In the absence of the Life Services business, Financial Services Authority (FSA) regulations now require a single consolidated return to be produced under the Interim Prudential Sourcebook for Investment Businesses, Chapter 14. Consolidation is required at the highest European Economic Area (EEA) registered entity level within the Group, Henderson Group plc.

The strength of the Group's balance sheet following the sale of the Life Services operations means that Henderson Group plc and all subsidiaries are able to comply comfortably with regulatory capital requirements, both on a consolidated and solo-entity basis. Consolidated returns are required bi-annually. The first return in respect of Henderson Group plc will be for the period to 30 June 2005, within four months of that date.

Basel II capital adequacy developments

It is the intention of the EU that the prudential regulatory framework of all member states be harmonised. Whilst progress on implementing a new risk-based capital adequacy requirement is slow, it is clear that the EU is determined to put in place the necessary legislation, and the real debate is now primarily limited to:

- the timing of introduction, either 2007 or 2008;
- the scope given to local regulators to amend or grant waivers in respect of any EU requirements; and
- the extent of participation outside the EU.

The Group continues to work alongside its regulators to ensure that the implications of new regulations are appropriately considered. On the basis of current proposals it is not anticipated that the Group will have difficulties in meeting the new requirements as they are finalised and implemented.

REVIEW OF OPERATIONS AND FINANCIAL REVIEW (CONTINUED)

Going concern

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

The Directors present their report for the half year ended 30 June 2005.

Change of name

The Company name was changed from HHG PLC to Henderson Group plc with effect from 22 April 2005.

Directors

The Directors of Henderson Group plc during the half year 2005 and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise.

Rupert Pennant-Rea	
Roger Yates	
Toby Hiscock	
Ian Laughlin	Resigned 13 April 2005
Gerald Aherne	
Duncan Ferguson	
Anthony Hotson	
John Roques	
Sir William Wells	Resigned 9 June 2005
Sir Malcolm Bates	Retired 28 February 2005
Peter Costain	Retired 28 February 2005

Review of operations and results

Henderson Group's results for the half year ended 30 June 2005 are shown in the Consolidated Income Statement on page 14. A review of the half year ended 30 June 2005 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 2005 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

24 August 2005

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CONSOLIDATED INCOME STATEMENT For the half year ended 30 June 2005

	Notes	Continuing operations 1	Discontinued operations 2	Eliminations 3	Total 4
		£m	£m	£m	£m
Continuing operations					
Gross fee income and commission receivable on sales		145.4	-	(7.3)	138.1
Finance income		17.1	-	(2.1)	15.0
Total income		162.5	-	(9.4)	153.1
Commissions payable on sales		(4.9)	-	-	(4.9)
Net fee and commission income		157.6	-	(9.4)	148.2
Expenses					
- Administration costs		(115.0)	-	0.4	(114.6)
- Other charges		(2.0)	-	-	(2.0)
		(117.0)	-	0.4	(116.6)
Finance costs		(3.6)	-	3.0	(0.6)
Net profit before tax from continuing operations		37.0	-	(6.0)	31.0
Taxation		(6.6)	-	-	(6.6)
Net profit after tax from continuing operations		30.4	-	(6.0)	24.4
Discontinued operations					
Net profit after tax from discontinued operations	6.1	-	11.9	6.0	17.9
Net loss after tax on disposal of discontinued operations	5.1	-	(18.6)	-	(18.6)
Net loss after tax from discontinued operations		-	(6.7)	6.0	(0.7)
Net profit/(loss) before tax from all operations		37.0	(1.9)	-	35.1
Total taxation		(6.6)	(4.8)	-	(11.4)
				-	
Net profit/(loss) after tax from all operations		30.4	(6.7)	-	23.7
Attributable to:					
Equity holders of the parent					27.2
Minority interests – discontinued operations					(3.5)
					23.7
Basic earnings per share	4	1.5p	(0.2p)	-	1.3p
Diluted earnings per share	4	1.5p	(0.2p)	-	1.3p
Continuing operations earnings per share					
Basic earnings per share					1.1p
Diluted earnings per share					1.1p

¹ Continuing operations represent the continuing operations of the Group, Henderson Global Investors and Towry Law.

² Discontinued operations represent the discontinued operations of the Life Services business.

³ Eliminations represent the intra-group transactions between the continuing and discontinued operations of the Life Services business up to the date of disposal on 13 April 2005. Following the disposal of the Life Services business, the fee income eliminated as an intra-group transaction was replaced by the income derived under the new investment management agreements with Pearl Group Limited.

⁴ The total column represents the continuing and discontinued operations net of intra-group transactions.

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CONSOLIDATED INCOME STATEMENT For the half year ended 30 June 2004

	Notes	Continuing operations 1	Discontinued operations 2	Eliminations 3	Total 4
		£m	£m	£m	£m
Continuing operations					
Gross fee income and commission receivable on sales		155.3	-	(23.0)	132.3
Finance income		9.4	-	(5.1)	4.3
Total income		<u>164.7</u>	<u>-</u>	<u>(28.1)</u>	<u>136.6</u>
Commissions payable on sales		(11.1)	-	-	(11.1)
Net fee and commission income		<u>153.6</u>	<u>-</u>	<u>(28.1)</u>	<u>125.5</u>
Expenses					
- Administration costs		(117.6)	-	(0.4)	(118.0)
- Other charges		(2.4)	-	-	(2.4)
		<u>(120.0)</u>	<u>-</u>	<u>(0.4)</u>	<u>(120.4)</u>
Finance costs		(4.9)	-	4.9	-
Net profit before tax from continuing operations		28.7	-	(23.6)	5.1
Taxation		(9.4)	-	-	(9.4)
Net profit/(loss) after tax from continuing operations		19.3	-	(23.6)	(4.3)
Discontinued operations					
Net loss after tax from discontinued operations	6.1	-	(23.7)	21.8	(1.9)
Net gain after tax on disposal of discontinued operations	5.1	-	11.3	-	11.3
Net profit/(loss) after tax from discontinued operations		-	(12.4)	21.8	9.4
Net profit/(loss) before tax from all operations		28.7	(5.7)	(1.8)	21.2
Total taxation		(9.4)	(6.7)	-	(16.1)
Net profit/(loss) after tax from all operations		19.3	(12.4)	(1.8)	5.1
Attributable to:					
Equity holders of the parent					(40.9)
Minority interests – discontinued operations					46.0
					<u>5.1</u>
Basic earnings per share	4	0.7p	(2.2p)	(0.1p)	(1.6p)
Diluted earnings per share	4	0.7p	(2.2p)	(0.1p)	(1.6p)
Continuing operations earnings per share					
Basic earnings per share					(0.2p)
Diluted earnings per share					(0.2p)

¹ Continuing operations represent the continuing operations of the Group, Henderson Global Investors and Towry Law.

² Discontinued operations represent the discontinued operations of the Life Services business, Towry Law International, Virgin Money Group Limited and Cogent businesses.

³ Eliminations represent the intra-group transactions between the continuing and discontinued operations. Following the disposal of the Life Services business, the fee income eliminated as an intra-group transaction will be replaced by the income derived under the new investment management agreements with Pearl Group Limited.

⁴ The total column represents the continuing and discontinued operations net of intra-group transactions.

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For the half year ended 30 June 2005

CONSOLIDATED INCOME STATEMENT For the year ended 31 December 2004

	Notes	Continuing operations 1	Discontinued operations 2	Eliminations 3	Total 4
		£m	£m	£m	£m
Continuing operations					
Gross fee income and commission receivable on sales		294.5	-	(46.5)	248.0
Finance income		22.2	-	(11.1)	11.1
Total income		316.7	-	(57.6)	259.1
Commissions payable on sales		(22.3)	-	-	(22.3)
Net fee and commission income		294.4	-	(57.6)	236.8
Expenses					
- Administration costs		(226.1)	-	(2.5)	(228.6)
- Other charges		(7.9)	-	-	(7.9)
		(234.0)	-	(2.5)	(236.5)
Finance costs		(11.0)	-	10.9	(0.1)
Net profit before tax from continuing operations		49.4	-	(49.2)	0.2
Taxation		(3.3)	-	-	(3.3)
Net profit/(loss) after tax from continuing operations		46.1	-	(49.2)	(3.1)
Discontinued operations					
Net loss after tax from discontinued operations	6.1	-	(47.4)	47.4	-
Net gain after tax on disposal of discontinued operations	5.1	-	13.1	-	13.1
Net loss arising on adjustment to fair value less costs to sell on disposal groups	5.3	-	(183.2)	-	(183.2)
Net loss after tax from discontinued operations		-	(217.5)	47.4	(170.1)
Net profit/(loss) before tax from all operations		49.4	(170.7)	(1.8)	(123.1)
Total taxation		(3.3)	(46.8)	-	(50.1)
Net profit/(loss) after tax from all operations		46.1	(217.5)	(1.8)	(173.2)
Attributable to:					
Equity holders of the parent					(220.1)
Minority interests – discontinued operations					46.9
					(173.2)
Basic earnings per share	4	1.7p	(9.9p)	(0.1p)	(8.3p)
Diluted earnings per share	4	1.7p	(9.9p)	(0.1p)	(8.3p)
Continuing operations earnings per share					
Basic earnings per share					(0.1p)
Diluted earnings per share					(0.1p)

¹ Continuing operations represent the continuing operations of the Group, Henderson Global Investors and Towry Law.

² Discontinued operations represent the discontinued operations of the Life Services business, Towry Law International, Virgin Money Group Limited and Cogent businesses.

³ Eliminations represent the intra-group transactions between the continuing and discontinued operations. Following the disposal of the Life Services business, the fee income eliminated as an intra-group transaction was replaced by the income derived under the new investment management agreements with Pearl Group Limited.

⁴ The total column represents the continuing and discontinued operations net of intra-group transactions.

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For the half year ended 30 June 2005

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE For the half year ended 30 June 2005

	6 months 30 Jun 2005	6 months 30 Jun 2004	12 months 31 Dec 2004
	£m	£m	£m
Exchange differences on translation of foreign operations	(0.1)	(1.1)	(1.9)
(Losses)/gains on revaluation of available-for-sale investments	(3.7)	0.5	2.6
Actuarial losses on pension schemes	(11.1)	(8.0)	(25.3)
Tax on items taken directly to equity	4.5	-	0.4
Revaluation reserve transfer on sale of available-for-sale investments	3.4	-	-
Net expense recognised directly in equity	(7.0)	(8.6)	(24.2)
Net profit/(loss) after tax from all operations	23.7	5.1	(173.2)
Total recognised income and expense	16.7	(3.5)	(197.4)
Attributable to:			
Equity holders of the parent	20.2	(49.5)	(244.3)
Minority interests – discontinued operations	(3.5)	46.0	46.9
	16.7	(3.5)	(197.4)

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For the half year ended 30 June 2005

CONSOLIDATED BALANCE SHEET At 30 June 2005

Notes	30 Jun 2005 £m	31 Dec 2004 £m	30 Jun 2004 £m
Assets			
Intangible assets	247.9	249.0	292.5
Deferred acquisition and commission costs	14.9	11.6	138.3
Present value of acquired in force long term business	-	-	10.0
Property, plant and equipment	12.1	13.2	68.8
Investment property	-	-	2,365.6
Deferred tax receivables	26.3	10.1	32.7
Current tax receivables	-	0.1	1.2
Reinsurance assets	-	-	303.2
Available-for-sale financial assets	78.6	24.3	54.2
Financial assets at fair value through profit or loss	5.8	35.4	24,412.4
Trade and other receivables	73.6	87.4	679.9
Prepayments	74.7	12.8	25.7
Cash and cash equivalents	448.8	292.6	1,863.0
Assets held for sale	-	31,879.1	-
Total assets	982.7	32,615.6	30,247.5
Equity			
Share capital	115.3	271.1	271.0
Share premium	366.7	1,080.9	1,080.8
Capital reserve	-	-	290.0
Own shares	(13.7)	(4.0)	(2.3)
Revaluation reserve	(2.2)	(1.9)	(4.1)
Translation reserve	(1.6)	(1.9)	(1.1)
Profit and loss account	155.3	130.8	36.2
Total shareholders' equity	619.8	1,475.0	1,670.5
Minority interests – disposal group	-	417.3	429.9
Total equity	619.8	1,892.3	2,100.4
Liabilities			
Deferred tax liabilities	4.4	7.9	49.9
Borrowings	0.2	0.2	1,513.4
Investment contract liabilities	-	-	4,120.6
Insurance contract liabilities	-	-	21,078.9
Retirement benefit obligations	51.1	33.9	77.2
Deferred income	21.7	18.9	42.9
Share-based payment liability	0.3	0.1	-
Provisions	75.5	91.3	212.8
Current tax liabilities	39.8	19.4	77.3
Obligations under finance leases	1.2	1.3	62.2
Trade and other payables	168.7	144.9	911.9
Liabilities relating to disposal groups classified as held for sale	-	30,405.4	-
Total liabilities	362.9	30,723.3	28,147.1
Total equity and liabilities	982.7	32,615.6	30,247.5

Approved by the Board of Directors on 24 August 2005.

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For the half year ended 30 June 2005

CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 30 June 2005

	Notes	6 months 2005 £m	6 months 2004 £m	12 months 2004 £m
Cash flows from operating activities				
Net profit/(loss) before tax from all operations		35.1	21.2	(123.1)
Adjustments to reconcile net profit/(loss) before tax from all operations to net cash provided by operating activities:				
- Depreciation and impairment of property, plant and equipment		3.2	4.5	34.7
- Impairment of goodwill and other intangible assets		0.3	-	145.4
- Deferred commission payable amortisation – continuing operations		4.9	-	0.3
- Deferred acquisition cost amortisation – discontinued operations		7.6	22.9	35.9
- Fair value losses/(gains) on financial assets		126.8	368.4	(1,083.3)
- Profits from interest in associates		-	(19.1)	(19.1)
- Loan interest expense		24.5	32.0	55.6
Cash flows from operating profits before changes in operating assets and liabilities		202.4	429.9	(953.6)
Changes in operating assets and liabilities		(464.9)	(1,011.7)	(136.3)
Tax paid		(78.2)	(18.9)	(34.5)
Net cash flows from operating activities		(340.7)	(600.7)	(1,124.4)
Cash flows from investing activities				
Proceeds from sale or maturity of:				
- Property plant and equipment		0.7	1.6	1.6
- Investment property		12.1	175.1	1,020.6
- Debt or equity instruments and interests in joint ventures		3,542.8	12,219.8	22,728.3
- Certificates of deposits		227.5	1,100.0	1,607.4
- Mortgages and other loan repayments from other parties		221.2	5.0	15.1
- Associates		-	50.0	192.8
Purchases of:				
- Property, plant and equipment		(3.1)	(2.5)	(3.8)
- Investment property		(6.6)	(123.2)	(1,395.9)
- Debt or equity instruments and interests in joint ventures		(2,834.5)	(13,790.1)	(24,348.2)
- Certificates of deposits		(124.3)	(1,562.2)	(1,593.7)
- Mortgages and other loans made to other parties		(1.0)	(1.4)	(18.6)
Acquisition of subsidiaries and associates net of cash acquired		-	-	(181.7)
Disposal of subsidiaries net of cash sold	5.2	(3,266.6)	-	-
Net cash flows from investing activities		(2,231.8)	(1,927.9)	(1,976.1)
Cash flows from financing activities				
Proceeds from issue of shares or other equity instruments		0.2	118.2	118.2
Share issue costs		-	(3.5)	(3.5)
Return of cash to shareholders		(775.3)	-	-
Reduction in investor base		(95.2)	-	-
Cash payments to owners to acquire or redeem own shares		(9.7)	(2.3)	(4.0)
Proceeds from short and long-term borrowings		-	16.6	482.5
Repayments of short and long-term borrowings		(221.9)	(5.0)	(5.0)
Proceeds of liabilities owed to external unit-holders		690.7	222.3	1,960.8
Dividends paid to minority interests		(3.7)	(5.2)	(8.3)
Interest paid		(40.3)	(13.0)	(40.5)
Net cash flows from financing activities		(455.2)	328.1	2,500.2
Effects of exchange rate changes		0.7	(54.8)	(42.2)
Net decrease in cash and cash equivalents		(3,027.0)	(2,255.3)	(642.5)
Cash and cash equivalents at beginning of period		3,475.8	4,118.3	4,118.3
Cash and cash equivalents at end of period		448.8	1,863.0	3,475.8

NOTES TO THE ACCOUNTS

1. Significant accounting policies

Basis of preparation

Henderson Group plc is a limited company incorporated in the United Kingdom whose shares are publicly traded. The financial statements of Henderson Group plc and its subsidiary undertakings (the Group), have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and as adopted by the European Commission (EC) to be effective for 2005 year ends for the first time.

The results for the six months ended 30 June 2005 have been prepared on the basis of the accounting policies set out in the Henderson Group plc Preliminary IFRS Financial Statements for the year ended 31 December 2004. The results for the six months ended 30 June 2005 and six months ended 30 June 2004 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 2004 have been taken from the Henderson Group plc Preliminary IFRS Financial Statements for the year ended 31 December 2004. These Preliminary IFRS Financial Statements were prepared from the HHG PLC's 2004 Full Annual Financial Report and Accounts and the disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 2 to the accounts. The auditor has reported on the 2004 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 2004 Full Annual Financial Report and Accounts has been filed with the Registrar of Companies.

Due to the continuing work of the IASB and possible amendments to the interpretive guidance, the Group's accounting policies and consequently the information presented may change prior to the publication of the Group's full year IFRS results in February 2006.

The Group has elected to early adopt the recently issued amendment to IAS 19. It is expected that the amendment will be endorsed by the EC in time for adoption in the Group's 2005 full year results.

In October 2004, the EC adopted a carved out version of IAS 39. The carve out removes the use of the fair value option for financial liabilities and relaxes the hedge accounting requirements. However, guidance issued by the UK's Accounting Standards Board (ASB) clarifies that UK insurance companies are able to: (i) apply the hedge accounting provisions within IAS 39 in full; (ii) continue to measure liabilities arising from unit-linked contracts by reference to the value of the underlying units, assets, share index or reference value; and (iii) take changes in that value through the Consolidated Income Statement. The Group has adopted this ASB guidance.

Certain amounts recorded in the IFRS financial information include estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates made.

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments, non-current assets (or disposal groups) that meet the criteria to be classified as held for sale, financial assets at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged. Also as set out in the accounting policy below, goodwill is recorded at the lower of historical cost and recoverable amount.

The financial statements are presented in pounds sterling.

1. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Henderson Group plc (the Company) and entities controlled by the Company (its subsidiaries) made up to 31 December each year using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control. Minority interests represent the equity interests in subsidiaries not held by the Group. Liabilities owed to external unit-holders represent external interests in unit-linked investments and are classed as financial liabilities.

Interests in Property Limited Partnerships (PLPs), Open-Ended Investment Companies (OEICs) and unit trusts are accounted for as subsidiaries, joint ventures, associates or other financial investments depending on the holdings of the Group and on the level of influence and control that the Group exercises. For associates and jointly controlled entities held by the long-term funds of the Life Services business, the Group has taken advantage of the exemption given in IAS 28 Associates and IAS 31 Joint Ventures to designate them at fair value with changes in the fair value recognised in the Consolidated Income Statement in the current period. Strategic shareholder investments in associates and partnerships where the Group has the ability to exercise significant influence, as well as joint ventures where there is joint control, are accounted for using the equity method.

The accounting policies relevant to the continuing operations are set out below. All accounting policies, including those relevant to discontinued operations, were set out fully in the Preliminary IFRS Financial Statements available on our website at www.henderson.com. These accounting policies have not changed.

Income recognition

Fee and commission income

Fee income includes annual management charges, transaction fees and performance fees. Annual management charges and transaction fees are recognised in the period in which the associated investment management or transaction services are provided. Performance fees are recognised when the prescribed performance hurdles have been achieved and it is probable that the fee will crystallise as a result.

Initial fees and commissions are deferred and amortised over the anticipated period in which services will be provided. Other income is recognised in the accounting period in which services are rendered.

Finance income

Interest income is recognised as it accrues using the effective yield method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

Realised and unrealised gains and losses on investments

Gains and losses (both realised and unrealised) on financial assets designated as at fair value through profit or loss are recognised in the Consolidated Income Statement. Realised and unrealised gains are recognised as part of finance income. Realised and unrealised losses are reported within finance costs.

Gains and losses on financial assets designated as available-for-sale are initially recognised through the Consolidated Statement of Recognised Income and Expense. Upon disposal, any gain or loss previously taken through the Consolidated Statement of Recognised Income and Expense is reversed out, with the full gain or loss from purchase, after any impairment charge previously recognised, taken through the Consolidated Income Statement.

Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously

1. Significant accounting policies (continued)

Realised and unrealised gains and losses on investments (continued)

revalued, the valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Goodwill

Goodwill arising on acquisitions, being the excess of the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised in the balance sheet. Goodwill on acquisitions prior to 1 January 2004 is carried at its value on 1 January 2004 (the date of transition to IFRS) less any impairment subsequently incurred. The carrying value of goodwill is tested annually for impairment, or more frequently if any indicators of impairment arise. Any impairment is recognised immediately through other charges in the income statement and is not subsequently reversed. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Deferred acquisition and commission costs

For insurance contracts, acquisition costs comprising all direct and indirect costs are deferred as an explicit acquisition cost asset gross of tax. These are amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies, and in accordance with the pattern of such margins. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, against future margins from the related policies in force at the balance sheet date.

For investment contracts, directly related acquisition costs are deferred to the extent that they are recoverable out of future income. This includes initial commission expenses paid by the fund management business in respect of certain investment products.

Property, plant and equipment

Property which is owned and occupied by the Group is stated in the Consolidated Balance Sheet at its revalued amount, being fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property depreciation is charged to the income statement on a straight-line basis over the asset's useful economic life of between 25 and 50 years. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits.

Plant and equipment is valued using the cost model approach and depreciated on a straight line basis over its useful economic life of between two and 15 years.

An item of property, plant and equipment is removed upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the Consolidated Income Statement in the year the item is derecognised.

1. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the liability is discharged by paying the creditor.

Financial assets

Regular way purchases and sales are recognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Debt securities, equity securities and holdings in authorised collective investment schemes are designated as either at fair value through profit or loss or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are designated at fair value through profit or loss, gains and losses arising from changes in fair value are included in the net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Cash amounts represent cash in hand and on demand deposits. Cash equivalents are short-term highly liquid investments with a maturity of 90 days or less from the date of acquisition.

Financial liabilities

Financial liabilities other than investment contract liabilities are stated at amortised cost. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Derivative financial instruments

The Group uses derivative financial instruments to hedge against market, liquidity and credit risk.

Derivative financial instruments are classified as held for trading and carried at fair value as assets or liabilities. Fair values are based on quoted market prices. Changes in fair values are recognised in the income statement.

Derivative financial instruments include swaps, futures, forwards and option contracts, all of which derive their value mainly from the underlying interest rates, foreign exchange rates, equity and debt instruments.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. The fair value of investments that are not traded in an active market is determined using valuation techniques. Various valuation techniques are used including the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

1. Significant accounting policies (continued)

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Income and sales taxes

The Group provides current tax expense according to the tax laws of each jurisdiction in which it operates using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

Expenses and assets are recognised net of the amount of sales tax except where this tax is not recoverable, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1. Significant accounting policies (continued)**Operating and finance leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Other leases are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Foreign currencies

The functional currency of the Company and its UK subsidiaries is pounds sterling. Transactions in foreign currencies are recorded at the rate appropriate at the time of accounting for the transaction. Foreign currency monetary balances at the period end are converted at the rate ruling at that date. Foreign currency non-monetary balances carried at fair value are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are taken to the Consolidated Income Statement, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations whose functional currency is not pounds sterling are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are taken through the Consolidated Statement of Recognised Income and Expense to the translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Employee benefits

The Group provides employees with retirement benefits through both defined benefit and defined contribution plans. The assets of these plans are generally held separately from the Group's general assets in trustee-administered funds and are valued at fair value. Defined benefit obligations and the cost of providing benefits are determined annually by qualified actuaries using the projected unit credit method. The obligation is measured as the present value of the estimated future cash outflows using a discount rate based on corporate bonds of appropriate duration and quality. The resulting surplus/deficit of defined

1. Significant accounting policies (continued)**Employee benefits (continued)**

benefit assets less liabilities is recognised in the Consolidated Balance Sheet. The Group's expense related to these plans is accrued over the employees' service lives based upon the actuarially determined cost for the period. Actuarial gains and losses are recognised in full in the period in which they occur in the Consolidated Statement of Recognised Income and Expense. Contributions to the defined contribution scheme are charged to the Consolidated Income Statement as they become payable in accordance with the rules of the scheme.

Other defined benefit post-employment benefits, such as medical care and life insurance, are also provided for certain employees. The cost of such benefits is accrued over the service life of the employee based upon the actuarially determined cost for the period using a methodology similar to that for defined benefit pension plans.

Share-based payment transactions

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant and expensed, together with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The expected life of the rewards is used in the determination of fair value has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

Treasury shares

Treasury shares held by the Group, including those held by certain policyholder funds and employee benefit trusts, are recorded at cost and deducted from equity.

Equity shares

The ordinary equity shares of 10 pence each are classified as equity instruments. Equity shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

Dividend recognition

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are declared, and for the final dividend, when approved by the Company's shareholders at the Annual General Meeting.

2. First time adoption

This is the first year that the Group has presented its interim financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRS was therefore 1 January 2005.

The Group has taken advantage of the following exemptions under IFRS 1 First time adoption of IFRS:

- business combinations that occurred prior to the date of transition have not been restated in accordance with IFRS 3 Business Combinations;
- all cumulative actuarial gains and losses on employee defined benefit obligations have been recognised in equity at the date of transition to IFRS;
- the presentation of five year historical information about pension schemes will be applied prospectively from the transition date;
- recognition of investments as financial assets or financial liabilities at fair value through profit or loss or as available-for-sale has been applied prospectively from the date of transition to IFRS;
- cumulative translation differences for all foreign operations have been deemed to be zero at the date of transition; and
- fair value of owner-occupied property at the date of transition to IFRS has been used as its deemed cost at that date.

The Group has taken advantage of the exemption available in IFRS 4 Insurance contracts on the need to disclose comparative information for the following:

- the process used to determine the assumptions;
- the effect of changes in assumptions used to measure insurance assets and liabilities; and
- reconciliations of changes in insurance assets and insurance liabilities.

The Group has also taken advantage of the provisions within IFRS 5 Non-current assets held-for-sale and discontinued operations to apply this standard to all non-current assets (or disposal groups) that meet the criteria to be classified as held-for-sale and operations that meet the criteria to be classified as discontinued before 1 January 2005.

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For the half year ended 30 June 2005

2. First time adoption (continued)

2.1 Reconciliation of consolidated equity

	Ref.	31 Dec 2004 £m	30 Jun 2004 £m	1 Jan 2004 £m
Consolidated shareholders' equity as reported under UK GAAP		1,837.7	1,838.9	1,689.1
IFRS adjustments:				
Retirement benefits	1	(66.6)	(66.0)	(70.0)
Investment contract accounting	2	45.4	49.1	62.1
Valuation of investments	3	(6.3)	(8.3)	(9.6)
Insurance contract liabilities	4	4.6	4.5	5.4
Contingent capital	5	(199.3)	(152.1)	(59.9)
General insurance	6	2.3	3.5	4.7
Goodwill	7	18.9	9.4	-
Lease obligations and incentives	8	(3.2)	(3.4)	(3.6)
New subsidiaries	9	(14.7)	(7.2)	(5.7)
Impairment of Life Services business	10	(136.6)	-	-
Deferral of commissions income and expenses	11	(1.6)	(1.5)	(1.3)
Performance fee recognition	12	3.2	11.3	1.6
Deferred taxation	13	(8.8)	(7.7)	(5.8)
Consolidated shareholders' equity as reported under IFRS		1,475.0	1,670.5	1,607.0
Recognition of minority interest in new subsidiaries	9	334.0	429.9	299.4
Reclassification of minority interest	14	83.3	-	-
Consolidated equity as reported under IFRS		1,892.3	2,100.4	1,906.4

Explanation of material adjustments to consolidated equity

- Under IFRS, the Group recognises the full net liability on its defined benefit pension scheme in the Consolidated Balance Sheet and takes all actuarial gains and losses through the Consolidated Statement of Recognised Income and Expense. In addition to this, the Group has revalued its unfunded pension scheme liabilities in accordance with IAS 19.
- Contracts underwritten by insurance subsidiaries that do not meet the definition of an insurance contract under IFRS 4 have been accounted for as investment contracts in accordance with IAS 39. Under UK GAAP, such contracts were accounted for as insurance contracts. This has resulted in the release of reserves related to these contracts.
- Under UK GAAP, Life Services' investments were stated at middle market value and Henderson Global Investors' investments were stated at cost. Under IFRS, investments have been revalued to fair value.
- The reduction in the value of investments arising from the change in valuation basis (see above) has resulted in a decrease in insurance contract liabilities.

2. First time adoption (continued)

2.1 Reconciliation of consolidated equity (continued)

Explanation of material adjustments to consolidated equity (continued)

5. The policyholder funds of National Provident Life Limited and London Life Limited have received contingent loans from their respective parent undertakings, NP Life Holdings Limited and London Life Holdings Limited. Under UK GAAP, the long-term insurance contract liabilities are adjusted for the difference arising on consolidation between the carrying value of the contingent loan liability in the relevant life company (which is determined by the approach used to set the long term insurance contract liabilities in those companies) and the valuation of the contingent loans by the shareholder (representing the best estimate of the Directors of the amounts that will be recoverable from the policyholder funds, based on the market-consistent Embedded Values of the relevant life companies). On adoption of IFRS the IFRS basis consolidation difference has been written off through the income statement.
6. Accounting for general insurance in accordance with IFRS 4 resulted in the release of an equalisation provision established in accordance with the requirements of the Integrated Prudential Sourcebook for Insurers under UK GAAP.
7. In accordance with the transitional provisions of IFRS 1, the Group has chosen to apply IFRS 3 prospectively. This has resulted in the value of goodwill arising from previous acquisitions remaining at the UK GAAP value as at 1 January 2004 and the reversal of amortisation charged in 2004. Goodwill is then subject to impairment review in accordance with IFRS 3 annually and more frequently where there are indications that the carrying value may not be recoverable.
8. Under IFRS, the Group amortises lease incentives received over the term of the lease rather than over the period to the first rental review. Also, the Group has reclassified certain operating leases as finance leases under IAS 17.
9. Application of IAS 27 has resulted in a number of PLPs, OEICs, unit trusts and private equity investments being consolidated. This has resulted in the Consolidated Balance Sheet recording an additional loss as the fair value of the investment has been replaced by their net assets. A minority interest within Consolidated Equity has also been recognised.
10. The net assets of the Life Services business, classified as a disposal group held for sale at 31 December 2004 in accordance with IFRS 5, have been impaired at this date to the fair value of consideration received less costs to sell.
11. In accordance with IAS 18, initial commission income and expenses in respect of investment products have been recognised over the estimated lifespan of the product to which they relate. IAS 1 also requires that commission income and expenses be shown gross in the income statement. These balances have been grossed up, but do not impact the equity position of the Group.
12. Under UK GAAP, performance fees were recognised on investment management contracts in the period in which the performance fee was formally agreed as payable by the fund boards or trustees. To comply with IAS 18, performance fees have been recognised when the prescribed performance hurdles have been achieved and it is probable that the fee will result.
13. The net effect of the above adjustments resulted in an increase in the deferred tax liability carried under IAS 12 in the Consolidated Balance Sheet. In addition to this, the discount recognised to reflect the time value of money on deferred tax assets and liabilities under UK GAAP has been reversed under IFRS.
14. Minority interests have been reclassified under IFRS as equity.

2. First time adoption (continued)

2.2 Reconciliation of consolidated (loss)/profit

		12 months 2004	6 months 2004
	Ref.	£m	£m
Profit on ordinary activities after taxation as reported under UKGAAP		42.2	37.9
IFRS adjustments:			
Retirement benefits	1	28.7	12.0
Investment contract accounting	2	(16.7)	(13.0)
Valuation of investments	3	0.7	0.8
Insurance contract liabilities	4	(0.8)	(0.9)
Contingent capital	5	(139.4)	(92.2)
General insurance	6	(2.4)	(1.2)
Goodwill	7	18.9	9.4
Lease obligations and incentives	8	0.4	0.2
New subsidiaries and recognition of minority interest in new subsidiaries	9	33.9	44.5
Impairment of Life Services business	10	(136.6)	-
Deferral of commissions income and expenses	11	(0.3)	(0.2)
Performance fee recognition	12	1.6	9.7
Deferred taxation	13	(3.4)	(1.9)
(Loss)/profit after tax from all operations as reported under IFRS		(173.2)	5.1

Explanation of material adjustments to consolidated (loss)/profit

- Under IFRS, the Group recognises the full net liability on its defined benefit pension scheme in the Consolidated Balance Sheet and takes all actuarial gains and losses through the Consolidated Statement of Recognised Income and Expense. In addition to this, the Group has also revalued its unfunded pension scheme liabilities in accordance with IAS 19.
- Contracts underwritten by insurance subsidiaries that do not meet the definition of an insurance contract under IFRS 4 have been accounted for as investment contracts in accordance with IAS 39. Under UK GAAP, such contracts are accounted for as insurance contracts. This has resulted in the release of reserves related to these contracts.
- Under UK GAAP Life Services' investments were stated at middle market value and Henderson Global Investors' investments were stated at cost. Under IFRS investments have been revalued to fair value.
- The reduction in the value of investments arising from the change in valuation basis (see above) has resulted in a decrease in insurance contract liabilities.
- The policyholder funds of National Provident Life Limited and London Life Limited have received contingent loans from their respective parent undertakings, NP Life Holdings Limited and London Life Holdings Limited. Under UK GAAP, the long-term insurance contract liabilities are adjusted for the difference arising on consolidation between the carrying value of the contingent loan liability in the relevant life company (which is determined by the approach used to set the long term insurance contract liabilities in those companies) and the valuation of the contingent loans by the shareholder (representing the best estimate of the Directors of the amounts that will be recoverable from the policyholder funds, based on the market-consistent Embedded Values of the relevant life companies). On adoption of IFRS the IFRS-basis consolidation difference has been written off through the income statement.
- Accounting for general insurance in accordance with IFRS 4 resulted in the release of an equalisation provision established in accordance with the requirements of the Integrated Prudential Sourcebook for Insurers under UK GAAP.

2. First time adoption (continued)

2.2 Reconciliation of consolidated (loss)/profit (continued)

Explanation of material adjustments to consolidated (loss)/profit (continued)

7. In accordance with the transitional provisions of IFRS 1, the Group has chosen to apply IFRS 3 prospectively. This has resulted in the value of goodwill arising from previous acquisitions remaining at the UK GAAP value as at 1 January 2004 and the reversal of amortisation charged in 2004. Goodwill is then subject to impairment review in accordance with IFRS 3 annually and more frequently where there are indications that the carrying value may not be recoverable.
8. Under IFRS, the Group amortises lease incentives received over the term of the lease rather than over the period to the first rental review. Also, the Group has reclassified certain operating leases as finance leases under IAS 17.
9. Application of IAS 27 has resulted in a number of PLPs, OEICs, unit trusts and private equity investments being consolidated. This has resulted in the Consolidated Balance Sheet recording an additional loss as the fair value of investment has been replaced by their net assets. An additional loss attributable to minority interests has also been recognised.
10. The net assets of the Life Services business classified as a disposal group held for sale at 31 December 2004 in accordance with IFRS 5 have been impaired at this date to the fair value of consideration received less costs to sell.
11. In accordance with IAS 18 initial commission income and expenses in respect of investment products have been recognised over the estimated lifespan of the product to which they relate. IAS 1 also requires that commission income and expenses be shown in the Consolidated Income Statement. These balances have been grossed up, but do not impact the equity position of the Group.
12. Under UK GAAP, performance fees were recognised on investment management contracts in the period in which the performance fee was formally agreed as payable by the fund boards or trustees. To comply with IAS 18, performance fees have been recognised when the prescribed performance hurdles have been achieved and it is probable that the fee will result.
13. The net effect of the above adjustments resulted in an increase in the deferred tax liability carried under IAS 12 in the Consolidated Balance Sheet. In addition to this, the discount recognised to reflect the time value of money on deferred tax assets and liabilities under UK GAAP has been reversed under IFRS.

2.3 Reconciliation of consolidated cash flow statement

For the year ended 31 December 2004

	As reported under UK GAAP £m	Include policyholder cash flows (note 1) £m	Other (note 2) £m	As reported under IFRS £m
Net cash flows from operating activities	34.7	(1,159.1)	-	(1,124.4)
Net cash flows from investing activities	(135.9)	(1,649.7)	(190.5)	(1,976.1)
Net cash flows from financing activities	107.6	2,392.6	-	2,500.2
Effects of exchange rate changes	-	(42.4)	0.2	(42.2)
Net increase/(decrease) in cash and cash equivalents	6.4	(458.6)	(190.3)	(642.5)

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For the half year ended 30 June 2005

2. First time adoption (continued)

2.3 Reconciliation of consolidated cash flow statement (continued)

For the half year ended 30 June 2004

	As reported under UK GAAP £m	Include policyholder cash flows (note 1) £m	Other (note 2) £m	As reported under IFRS £m
Net cash flows from operating activities	(116.9)	(483.8)	-	(600.7)
Net cash flows from investing activities	50.5	(1,915.6)	(62.8)	(1,927.9)
Net cash flows from financing activities	112.0	216.1	-	328.1
Effects of exchange rate changes	-	(54.9)	0.1	(54.8)
Net increase/(decrease) in cash and cash equivalents	45.6	(2,238.2)	(62.7)	(2,255.3)

Explanation of material adjustments to the consolidated cash flow statement

1. The Cash Flow Statement prepared under IFRS includes all long-term business cash transactions, which were excluded under UK GAAP.
2. Under IFRS, cash equivalents include short term highly liquid investments with a maturity of 90 days or less from the date of acquisition. Under UK GAAP, such assets were reported in other financial assets and the corresponding cash flows presented within investing activities.

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For the half year ended 30 June 2005

3. Segmental information

3.1 Group operating income and net assets – continuing operations

Henderson Global Investors

Henderson Global Investors is an investment manager, operating throughout Europe, with operations in North America and Asia. It manufactures a broad range of actively managed investment products for institutional and retail investors, across multiple asset classes including equities, fixed income, private equity and property and also manages the assets of Pearl Group Limited.

Towry Law UK

Towry Law is a UK-based independent financial advisory (IFA) business. Towry Law does not manufacture its own products, but provides its clients with independent advice on pensions, investments, insurance and mortgages manufactured by other companies.

The Group accounts for inter-segment transfers of investment service fees and service company fees as if the transactions were with third parties at arm's length.

3.2 Reconciliation of income statement by business segment to total income statement

A separate reconciliation of the income statement by business segment to the segmental analysis included within the Review of Operations and Financial Review (OFR) is included in section 3.3.

For the half year ended 30 June 2005

	Henderson Global Investors	Towry Law	Business segment total	Unallocated corporate costs	Income Statement total
	£m	£m	£m	£m	£m
Income					
Total fee and commission income	126.0	19.6	145.6	(0.2)	145.4
Finance income	8.2	0.1	8.3	8.8	17.1
Total income	134.2	19.7	153.9	8.6	162.5
<i>Inter-segment transactions</i>	-	-	-	-	-
Commissions payable on sales	(4.9)	-	(4.9)	-	(4.9)
Net fee and commission income	129.3	19.7	149	8.6	157.6
Expenses					
- Administration costs	(89.8)	(17.6)	(107.4)	(7.6)	(115.0)
- Other charges	(1.5)	(0.5)	(2.0)	-	(2.0)
Total expenses	(91.3)	(18.1)	(109.4)	(7.6)	(117.0)
Finance costs	-	-	-	(3.6)	(3.6)
Net profit/(loss) before tax from continuing operations	38.0	1.6	39.6	(2.6)	37.0
Supplementary segment information					
Depreciation and amortisation of segment assets	1.5	0.5	2.0	-	2.0
Non-cash expenses other than depreciation	4.9	0.3	5.2	-	5.2
	6.4	0.8	7.2	-	7.2

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For the half year ended 30 June 2005

3. Segmental information (continued)

3.2 Reconciliation of income statement by business segment to total income statement (continued)

For the half year ended 30 June 2004

	Henderson Global Investors £m	Towry Law £m	Business segment total £m	Unallocated corporate costs £m	Income Statement total £m
Income					
Total fee and commission income	136.1	19.3	155.4	(0.1)	155.3
Investment income	2.7	-	2.7	6.7	9.4
Total income	138.8	19.3	158.1	6.6	164.7
<i>Inter-segment transactions</i>	23.1	-	23.1	5.0	28.1
Commissions payable on sales	(11.1)	-	(11.1)	-	(11.1)
Net fee and commission income	127.7	19.3	147	6.6	153.6
Expenses					
- Administration costs	(91.1)	(18.5)	(109.6)	(8.0)	(117.6)
- Other charges	(2.1)	(0.9)	(3.0)	0.6	(2.4)
Total expenses	(93.2)	(19.4)	(112.6)	(7.4)	(120.0)
Finance costs	-	-	-	(4.9)	(4.9)
Net profit/(loss) before tax from continuing operations	34.5	(0.1)	34.4	(5.7)	28.7
Supplementary segment information					
Depreciation and amortisation of segment assets	2.1	0.9	3.0	-	3.0
Non-cash expenses other than depreciation	9.9	10.2	20.1	-	20.1
	12.0	11.1	23.1	-	23.1

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For the half year ended 30 June 2005

3. Segmental information (continued)

3.2 Reconciliation of income statement by business segment to total income statement (continued)

For the year ended 31 December 2004

	Henderson Global Investors £m	Towry Law £m	Business segment total £m	Unallocated corporate costs £m	Income Statement total £m
Income					
Total fee and commission income	257.5	37.3	294.8	(0.3)	294.5
Investment income	7.1	0.1	7.2	15.0	22.2
Total income	264.6	37.4	302.0	14.7	316.7
<i>Inter-segment transactions</i>	47.4	-	47.4	10.2	57.6
Commissions payable on sales	(22.3)	-	(22.3)	-	(22.3)
Net fee and commission income	242.3	37.4	279.7	14.7	294.4
Expenses					
- Administration costs	(187.1)	(38.4)	(225.5)	(0.6)	(226.1)
- Other charges	(5.4)	(2.5)	(7.9)	-	(7.9)
Total expenses	(192.5)	(40.9)	(233.4)	(0.6)	(234.0)
Finance costs	(0.4)	(0.1)	(0.5)	(10.5)	(11.0)
Net profit/(loss) before tax from continuing operations	49.4	(3.6)	45.8	3.6	49.4
<i>Recurring profit</i>	55.8	-	55.8	3.4	59.2
<i>Non-recurring loss</i>	(6.4)	(3.6)	(10.0)	0.2	(9.8)
Supplementary segment information					
Depreciation and amortisation of segment assets	5.4	2.4	7.8	-	7.8
Non-cash expenses other than depreciation	28.2	18.1	46.3	-	46.3
	33.6	20.5	54.1	-	54.1

Non-recurring loss of £9.8m above comprises £8.4m of administration costs associated with the restructure of Henderson Global Investors and the UK operation of Towry Law and £1.4m of other charges reflecting the impairment of goodwill in Towry Law Mortgage Services Limited.

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For the half year ended 30 June 2005

3. Segmental information (continued)

3.3 Reconciliation of income statement by business segment to the Review of Operations and Financial Review (OFR)

Certain adjustments are required to reconcile from the segmental analysis shown in 3.2 to the OFR. These are set out below:

Ref.

1. Unallocated corporate costs have been shown net of the return earned on corporate cash in the segmental analysis above, but are stated gross of the return on corporate cash in the OFR.
2. Certain intra-business unit adjustments or adjustments between business units and corporate, are no longer possible as they reallocate income and expense items between continuing and discontinued operations. Such reallocations are not permitted under IFRS 5, and therefore create reconciling differences between the segmental analysis shown above and that in the OFR.
3. Impairment and restructure costs treated as exceptional for management reporting purposes have been included within the segmental analysis of costs, having not met the statutory accounting criteria to be classed as exceptional items.

For the half year ended 30 June 2005

Ref.	Henderson Global Investors £m	Towry Law £m	Business segment total £m	Re-analyse corporate and pension costs £m
Net profit/(loss) before tax from continuing operations	38.0	1.6	39.6	(2.6)
Gross up expenses for corporate cash returns	1	-	-	(4.6)
Net profit/(loss) before tax from continuing operations	38.0	1.6	39.6	(7.2)

For the half year ended 30 June 2004

Ref.	Henderson Global Investors £m	Towry Law £m	Business segment total £m	Re-analyse corporate and pension costs £m
Net profit/(loss) before tax from continuing operations	34.5	(0.1)	34.4	(5.7)
Gross up expenses for corporate cash returns	1	-	-	(1.5)
Adjustments with discontinued operations	2	-	-	(0.9)
Net profit/(loss) before tax from continuing operations	36.2	(0.1)	34.4	(8.1)

For the year ended 31 December 2004

Ref.	Henderson Global Investors £m	Towry Law £m	Business segment total £m	Re-analyse corporate and pension costs £m
Net profit/(loss) before tax from continuing operations	49.4	(3.6)	45.8	3.6
Gross up expenses for corporate cash returns	1	-	-	(4.5)
Adjustments with discontinued operations	2	-	-	(16.7)
Items treated as exceptional in OFR	3	3.4	-	2.0
Net profit/(loss) before tax from continuing operations	57.5	(0.2)	45.8	(15.6)

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For the half year ended 30 June 2005

3. Segmental information (continued)

3.4 Summarised balance sheet by business segment

At 30 June 2005

	Henderson Global Investors £m	Towry Law £m	Other £m	Eliminations £m	Total £m
Segment assets – intangible assets	226.3	21.5	-	-	247.8
Segment assets – other	394.6	49.6	-	-	444.2
Unallocated assets	-	-	264.3	-	264.3
Tax assets	26.4	-	-	-	26.4
Total assets	647.3	71.1	264.3	-	982.7
Segment liabilities	224.9	46.5	-	0.2	271.6
Unallocated liabilities	-	-	47.1	-	47.1
Tax liabilities	30.9	(0.6)	13.9	-	44.2
Total liabilities	255.8	45.9	61.0	0.2	362.9
Net assets	391.5	25.2	203.3	(0.2)	619.8

At 30 June 2004

	Henderson Global Investors £m	Towry Law £m	Life Services £m	Other £m	Eliminations £m	Total £m
Segment assets – intangible assets	227.5	21.5	43.5	-	-	292.5
Segment assets – other	343.4	34.4	29,455.9	-	(17.5)	29,816.2
Unallocated assets	-	-	-	104.9	-	104.9
Tax assets	7.8	-	26.1	-	-	33.9
Total assets	578.7	55.9	29,525.5	104.9	(17.5)	30,247.5
Segment liabilities	198.3	34.8	27,758.5	-	-	27,991.6
Unallocated liabilities	-	-	-	45.3	(17.0)	28.3
Tax liabilities	23.2	0.2	99.5	4.3	-	127.2
Total liabilities	221.5	35.0	27,858.0	49.6	(17.0)	28,147.1
Net assets	357.2	20.9	1,667.5	55.3	(0.5)	2,100.4

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For the half year ended 30 June 2005

3. Segmental Information (continued)

3.4 Summarised balance sheet by business segment (continued)

At 31 December 2004

	Henderson Global Investors £m	Towry Law £m	Other £m	Eliminations £m	Total £m
Segment assets – intangible assets	227.5	21.5	-	-	249.0
Segment assets – other	313.6	34.8	-	(0.2)	348.2
Unallocated assets	-	-	129.1	-	129.1
Assets held for sale	-	-	31,879.1	-	31,879.1
Tax assets	10.2	-	-	-	10.2
Total assets	551.3	56.3	32,008.2	(0.2)	32,615.6
Segment liabilities	198.2	33.4	-	-	231.6
Unallocated liabilities	-	-	85.7	(26.7)	59.0
Liability relating to disposal group classified as held for sale	-	-	30,405.4	-	30,405.4
Tax liabilities	17.2	(0.5)	10.6	-	27.3
Total liabilities	215.4	32.9	30,501.7	(26.7)	30,723.3
Net assets	335.9	23.4	1,506.5	26.5	1,892.3

3.5 Geographical segment

For the half year ended 30 June 2005

	United Kingdom £m	Europe £m	United States £m	Other overseas £m	Total £m
Total income	141.2	4.8	8.2	3.4	157.6
Total expenses	(103.6)	(3.8)	(7.0)	(2.6)	(117.0)
Finance costs	(3.6)	-	-	-	(3.6)
Operating segment result	34.0	1.0	1.2	0.8	37.0
Segment assets	870.7	89.5	8.9	13.6	982.7
Segment liabilities	(342.2)	(15.1)	(2.7)	(2.9)	(362.9)
Net assets	528.5	74.4	6.2	10.7	619.8
Supplementary segment information					
Capital expenditure:					
- Intangible assets	-	-	-	-	-
- Property, plant and equipment	0.8	-	0.2	-	1.0

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For the half year ended 30 June 2005

3. Segmental Information (continued)

3.5 Geographical segment (continued)

For the half year ended 30 June 2004

	United Kingdom £m	Europe £m	United States £m	Other overseas £m	Total £m
Total income	140.8	3.6	3.0	6.2	153.6
Total expenses	(105.0)	(4.1)	(3.6)	(7.3)	(120.0)
Finance costs	(4.9)	-	-	-	(4.9)
Operating segment result	30.9	(0.5)	(0.6)	(1.1)	28.7
Segment assets	30,185.1	38.3	10.9	13.2	30,247.5
Segment liabilities	(28,140.7)	1.3	(2.5)	(5.2)	(28,147.1)
Net assets	2,044.4	39.6	8.4	8.0	2,100.4

Supplementary segment information

Capital expenditure:

- Intangible assets	-	-	-	-	-
- Property, plant and equipment	0.4	0.2	-	-	0.6

For the year ended 31 December 2004

	United Kingdom £m	Europe £m	United States £m	Other overseas £m	Total £m
Total income	279.1	(3.7)	12.2	6.8	294.4
Total expenses	(204.4)	(8.7)	(15.0)	(5.9)	(234.0)
Finance costs	(11.0)	-	-	-	(11.0)
Operating segment result	63.7	(12.4)	(2.8)	0.9	49.4
Segment assets	32,566.8	25.3	10.0	13.5	32,615.6
Segment liabilities	(30,710.6)	(4.3)	(4.2)	(4.2)	(30,723.3)
Net assets	1,856.2	21.0	5.8	9.3	1,892.3

Supplementary segment information

Capital expenditure:

- Intangible assets	1.6	-	-	-	1.6
- Property, plant and equipment	2.4	-	0.1	0.1	2.6

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4. Earnings per share

4.1 From all operations

4.1.1 Earnings

	30 Jun 2005 £m	30 Jun 2004 £m	31 Dec 2004 £m
Earnings for the purposes of basic and diluted earnings per share being net profit/(loss) attributable to equity holders of the parent	27.2	(40.9)	(220.1)

4.1.2 Number of shares

	30 Jun 2005 millions	30 Jun 2004 millions	31 Dec 2004 millions
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,128.7	2,584.3	2,645.6
Effect of dilutive potential ordinary shares:			
- Share options	6.4	10.7	8.4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,135.1	2,595.0	2,654.0

4.1.3 Earnings per share

	30 Jun 2005 pence	30 Jun 2004 pence	31 Dec 2004 pence
Basic	1.3	(1.6)	(8.3)
Diluted	1.3	(1.6)	(8.3)

4.2 From continuing operations

4.2.1 Earnings

	30 Jun 2005 £m	30 Jun 2004 £m	31 Dec 2004 £m
Net profit/(loss) attributable to equity holders of the parent	27.2	(40.9)	(220.1)
Adjustments to exclude net loss after tax from discontinued operations	6.7	12.4	217.5
Adjustments to exclude net loss after tax from eliminations	-	1.8	1.8
Adjustment to exclude net (loss)/profit after tax from discontinued operations attributable to minority interest	(3.5)	46.0	46.9
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	30.4	19.3	46.1

4.2.2 Earnings per share

	30 Jun 2005 pence	30 Jun 2004 pence	31 Dec 2004 pence
Basic	1.5	0.7	1.7
Diluted	1.5	0.7	1.7

4.3 From discontinued operations

4.3.1 Earnings per share

	30 Jun 2005 pence	30 Jun 2004 pence	31 Dec 2004 pence
Basic	(0.2)	(2.2)	(9.9)
Diluted	(0.2)	(2.2)	(9.9)

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4. Earnings per share (continued)

4.4 From eliminations

4.4.1 Earnings per share

	30 Jun 2005	30 Jun 2004	31 Dec 2004
	pence	pence	pence
Basic	-	(0.1)	(0.1)
Diluted	-	(0.1)	(0.1)

5. Disposals of subsidiaries

5.1 (Loss)/gain on disposal of discontinued operations

	30 Jun 2005	30 Jun 2004	31 Dec 2004
	£m	£m	£m
(Loss)/gain on disposal of discontinued operations	(18.6)	11.3	13.1
Net (loss)/gain after tax on disposal of discontinued operations	(18.6)	11.3	13.1

The pre-tax (loss)/gain recognised on disposals is analysed as follows:

	30 Jun 2005	30 Jun 2004	31 Dec 2004
	£m	£m	£m
Virgin Money Group Limited	-	18.5	18.5
Towry Law International	-	(7.2)	(8.4)
Cogent	-	-	3.0
Life Services business	(18.6)	-	-
	(18.6)	11.3	13.1

5.2 Life Services

On 9 December 2004, HHG PLC (now known as Henderson Group plc), together with subsidiary companies, entered into an agreement to sell the Life Services business owned by Pearl Group Limited (a direct subsidiary of Henderson Group plc) to Life Company Investor Group (now known as Pearl Group Limited). Following shareholder approval obtained at an Extraordinary General Meeting and regulatory approval given by the FSA, the completion date of the disposal was 13 April 2005.

The Life Services business comprised principally the life insurance and pensions books of Pearl Assurance, London Life, National Provident Life and NPI, which are effectively closed to new business, various unit-linked life insurance companies and HHG Services Limited, which provides administrative services to these businesses. All of these entities were directly or indirectly owned by Pearl Assurance Group Holdings Limited, 100% of whose issued share capital was sold by Pearl Group Limited.

5. Disposals of subsidiaries (continued)

5.2. Life Services business (continued)

The transaction resulted in a loss on disposal of £18.6m calculated as follows:

	£m
Sale proceeds	1,079.3
Less: professional fees	20.5
	<u>1,058.8</u>
Net assets disposed of	<u>(1,077.4)</u>
Pre-tax loss on disposal	(18.6)
Post-tax loss on disposal	<u>(18.6)</u>

	£m
Cash received from disposal of Life Services business:	
Total proceeds from the Sale	1,070.2
Less: cash and cash equivalents of subsidiaries sold	(4,336.8)
Net cash outflow on disposal	<u>(3,266.6)</u>

Aggregate assets and liabilities of Life Services at the date of disposal:

	£m
Assets	
Intangible assets	66.2
Deferred acquisition costs	107.4
Property, plant and equipment	69.8
Investment property	1,995.0
Deferred tax receivables	27.2
Reinsurance assets	273.9
Inventories	6.0
Other financial assets	24,729.1
Current tax assets	4.1
Trade and other receivables	622.0
Cash and cash equivalents	4,336.8
Total assets	<u>32,237.5</u>
Equity	
Minority interest	<u>468.8</u>
Liabilities	
Deferred tax liabilities	82.5
Total borrowings	1,285.9
Net asset value attributable to unit holders	2,961.7
Investment contract liabilities	4,161.5
Insurance contract liabilities	21,494.0
Retirement benefit obligations	41.3
Provisions	83.0
Trade and other payables	581.4
Total liabilities	<u>30,691.3</u>
Net assets	<u>1,077.4</u>

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For the half year ended 30 June 2005

5. Disposals of subsidiaries (continued)

5.3 Gain/(loss) on adjustment to fair value less costs to sell the Life Services business

	30 June 2005	30 June 2004	31 Dec 2004
	£m	£m	£m
Life Services business	-	-	(183.2)

The Life Services business loss arising in the 12 months to 31 December 2004 comprised an impairment loss of £175.7m reflecting the write down of net assets of the Life Services business to the fair value of the consideration received less costs to sell and £7.5m of associated committed transaction costs at 31 December 2004 recognised by the Company. A cash outflow of £2.4m arose in respect of this in 2004. The impairment loss of £175.7m was recognised against the following assets:

	£m
Goodwill	83.1
Other intangible assets	59.3
PVIF	10.0
Property, plant and equipment	14.8
Inventories	4.6
Prepayments	3.9
	<hr/>
	175.7

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6. Discontinued operations

6.1 Profit/(loss) from discontinued operations

	30 June 2005 £m	30 June 2004 £m	31 Dec 2004 £m
Income			
Fee and commission income	71.1	67.9	95.4
Premiums written net of reinsurance	162.4	365.2	747.9
Investment income	386.8	660.7	2,461.0
	620.3	1,093.8	3,304.3
Expenses			
- Acquisition costs	(7.9)	(22.9)	(46.3)
- Administration costs	(69.6)	(64.0)	(205.4)
- Other charges	(1.6)	(2.2)	(15.0)
	(79.1)	(89.1)	(266.7)
Expenses for policyholder claims and benefits (including change in insurance liabilities)	(216.7)	(505.0)	(2,372.8)
Claims recoveries from reinsurers	0.3	2.6	6.6
Change in investment contract provisions	(143.8)	(99.1)	(569.2)
Finance costs	(158.3)	(398.4)	(55.4)
	22.7	4.8	46.8
Net profit before tax from discontinued operations			
Tax on the results of discontinued operations	(4.8)	(6.7)	(46.8)
Net profit/(loss) after tax from discontinued operations	17.9	(1.9)	-

All operating profit for the half year ended 30 June 2005 related to the Life Services business and arose in the UK.

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For the half year ended 30 June 2005

6. Discontinued operations (continued)

6.2 Discontinued Income Statement by business segment

For the half year ended 30 June 2004

	Life Services	Towry Law International	Virgin Money Group Limited	Discontinued operations	Eliminations	Total
	£m	£m	£m	£m	£m	£m
Income						
Fee and commission income	64.5	4.3	-	68.8	(0.9)	67.9
Premiums written net of reinsurance	365.2	-	-	365.2	-	365.2
Finance income	666.8	-	0.6	667.4	(6.7)	660.7
Total income	1,096.5	4.3	0.6	1,101.4	(7.6)	1,093.8
Expenses						
Acquisition costs	(22.9)	-	-	(22.9)	-	(22.9)
Administration costs	(82.7)	(4.8)	-	(87.5)	23.5	(64.0)
Other charges	(2.2)	-	-	(2.2)	-	(2.2)
Expenses for policyholder claims and benefits	(502.4)	-	-	(502.4)	-	(502.4)
Changes in investment contract provisions	(99.1)	-	-	(99.1)	-	(99.1)
Total expenses	(709.3)	(4.8)	-	(714.1)	23.5	(690.6)
Finance costs	(404.3)	-	-	(404.3)	5.9	(398.4)
Net (loss)/profit before tax from discontinued operations	(17.1)	(0.5)	0.6	(17.0)	21.8	4.8
Supplementary segment information						
Depreciation and amortisation of segment assets	(2.2)	-	-	(2.2)	-	(2.2)
Non-cash expenses other than depreciation - Provisions	3.0	-	-	3.0	-	3.0

Geographical segments

	United Kingdom	Europe	United States	Other overseas	Total
	£m	£m	£m	£m	£m
Total income	1,089.5	-	-	4.3	1,093.8
Total expenses	(685.8)	-	-	(4.8)	(690.6)
Finance costs	(398.4)	-	-	-	(398.4)
Operating segment result	5.3	-	-	(0.5)	4.8

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For the half year ended 30 June 2005

6. Discontinued operations (continued)

6.2 Discontinued Income Statement by business segment (continued)

For the year ended 31 December 2004

	Life Services	Towry Law International	Virgin Money Group Limited	Discontinued operations	Eliminations	Total
	£m	£m	£m	£m	£m	£m
Income						
Fee and commission income	92.5	4.3	-	96.8	(1.4)	95.4
Premiums written net of reinsurance	747.9	-	-	747.9	-	747.9
Finance income	2,453.5	-	0.6	2,454.1	6.9	2,461.0
Total income	3,293.9	4.3	0.6	3,298.8	5.5	3,304.3
Expenses						
Acquisition costs	(46.3)	-	-	(46.3)	-	(46.3)
Administration costs	(197.1)	(39.8)	-	(236.9)	31.5	(205.4)
Other charges	(15.0)	-	-	(15.0)	-	(15.0)
Expenses for policyholder claims and benefits	(2,366.2)	-	-	(2,366.2)	-	(2,366.2)
Changes in investment contract provisions	(569.2)	-	-	(569.2)	-	(569.2)
Total expenses	(3,193.8)	(39.8)	-	(3,233.6)	31.5	(3,202.1)
Finance costs	(65.8)	-	-	(65.8)	10.4	(55.4)
Net profit/(loss) before tax from discontinued operations	34.3	(35.5)	0.6	(0.6)	47.4	46.8
Supplementary segment information						
Depreciation and amortisation of segment assets	(15.0)	-	-	(15.0)	-	(15.0)
Non-cash expenses other than depreciation - Provisions	8.0	(35.0)	-	(27.0)	-	(27.0)

Geographical segments

	United Kingdom £m	Europe £m	United States £m	Other overseas £m	Total £m
Total income	3,300.0	-	-	4.3	3,304.3
Total expenses	(3,162.3)	-	-	(39.8)	(3,202.1)
Finance costs	(55.4)	-	-	-	(55.4)
Operating segment result	82.3	-	-	(35.5)	46.8

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For the half year ended 30 June 2005

6. Discontinued operations (continued)

6.3 Statement of Recognised Income and Expense from discontinued operations

The following income and expense were recognised directly in equity relating to discontinued operations.

	30 Jun 2005	30 June 2004	31 Dec 2004
	£m	£m	£m
Exchange difference on translation of foreign operations	(0.4)	-	-
Gains on revaluation of available-for-sale investments	-	0.6	1.4
Actuarial gains/(losses) on pension schemes	0.2	(7.2)	(20.2)
Transfer to profit or loss on sale of available-for-sale investments	3.4	-	-
Total income/(expense) recognised directly in equity	3.2	(6.6)	(18.8)

6.4 Cash flows from discontinued operations

	30 Jun 2005	30 June 2004	31 Dec 2004
	£m	£m	£m
Net cash flows from operating activities	(296.9)	(596.9)	(1,104.2)
Net cash flows from investing activities	819.7	(1,854.2)	(1,816.9)
Net cash flows from financing activities	630.9	220.0	2,290.1
	1,153.7	(2,231.1)	(631.0)

7. Reconciliation of movement in equity

	30 Jun 2005	31 Dec 2004	30 Jun 2004
	£m	£m	£m
Equity at 1 January	1,892.3	1,906.4	1,906.4
Total recognised income and expense attributable to equity holders of the parent	20.2	(244.3)	(49.5)
Increase in own shares held	(9.7)	(4.0)	(2.3)
Proceeds from capital raising	-	114.7	114.7
Issue of shares for the Sharesave scheme	0.2	-	-
Return of cash to shareholders	(775.3)	-	-
Reduction in investor base	(95.2)	-	-
Movement in equity-settled share scheme expenses	4.6	1.6	0.6
Movement in minority interest	(417.3)	117.9	130.5
Equity at 30 June/31 December	619.8	1,892.3	2,100.4

During 2005 the Company issued 377,538 shares of 10 pence each to certain employees leaving the Group who participated in the Sharesave scheme for an aggregate consideration of £157,056.

Following the disposal of the Life Services business on 13 April 2005, £775.3m of the sales proceeds received were returned to shareholders in exchange for the cancellation of 1,409,633,940 shares. This return of cash reduced share capital by £141.0m and the share premium account by £634.3m.

A further £95.2m of the sales proceeds received from the disposal of the Life Services business was used to cash out the remaining holdings of shareholders with fewer than 1,041 shares. This resulted in the cancellation of a further 148,769,481 shares, reducing share capital by £14.9m and the share premium account by £80.3m.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Henderson Group plc, it is the opinion of the Directors that:

- the financial statements and notes of the consolidated entity set out on pages 14 to 47:
 - give a true and fair view (as set out in section 305 of the Australian Corporations Act 2001) of the consolidated entity's financial position as at 30 June 2005 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; and
- 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

24 August 2005

Henderson Group plc has chosen to publish a half-yearly report (the Interim Statement) on its activities and financial information covering the first six months of its 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 2005 Interim Results). The Interim Statement has been subject to review. The independent review report to Henderson Group plc on the Interim Statement is reproduced below:

INDEPENDENT REVIEW REPORT TO HENDERSON GROUP PLC

Introduction

We have been instructed by the Company to review the financial information for the half year ended 30 June 2005 which comprises the Summarised Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Summarised Consolidated Balance Sheet, Reconciliation of Movement in Shareholders' Equity for the continuing operations 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.

The accounting policies are consistent with those that the Directors intend to use in the next financial statements. There is, however, a possibility that the Directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS adopted for use by the European Union. This is because, as disclosed, the directors have anticipated that revised IAS 19, which has yet to be formally adopted for use in the EU will be so adopted in time to be applicable to the next annual financial statements.

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 have been applied. 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 2005.

Ernst & Young LLP

Registered Auditor, London
24 August 2005

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES

The total contribution to net profit after taxation attributable to shareholders of Henderson Group plc from controlled entities gained or lost on 13 April 2005 from the sale of the Life Services business is set out in notes 5 and 6 to the accounts. The contributions to net profit after taxation attributable to shareholders from all other controlled entities gained or lost during the period are not material.

Controlled entities gained during first half 2005

Name of entity	Date control gained over entity
Henderson Fund Management (Luxembourg) SA	18 February 2005
Henderson Buchanan plc	13 April 2005
Henderson BRLP1 Limited	13 April 2005
Henderson BRLP2 Limited	13 April 2005
Henderson BRLP3 Limited	13 April 2005

Controlled entities lost during first half 2005

Name of entity	Date of loss of control over entity
Henderson French Property Fund BV	13 April 2005
Henderson (UK) Retail Warehouse Fund	13 April 2005
Moor House Limited Partnership	13 April 2005
The Covent Garden Limited Partnership	13 April 2005
Henderson UK Shop Fund	13 April 2005
Henderson Central London Office Fund	13 April 2005
Henderson Caspar Property Fund	13 April 2005
Henderson UK Shopping Centre Fund	13 April 2005
Baydrive Group Limited	13 April 2005
Homann Chilled Food GmbH	13 April 2005
VPS Holdings Limited	13 April 2005
Boat International Group Limited	13 April 2005
HHG Private Capital Portfolio No. 1 Limited Partnership	13 April 2005
HHG Private Capital Portfolio No. 2 Limited Partnership	13 April 2005
HHG Private Capital Portfolio No. 3 Limited Partnership	13 April 2005
HHG Private Capital Portfolio No. 4 Limited Partnership	13 April 2005
HHG Private Capital Portfolio No. 5 Limited Partnership	13 April 2005
Basil Investments Limited (in liquidation)	13 April 2005
CSC Information Systems Limited	13 April 2005
HHG Services Limited	13 April 2005
London Life Association Limited	13 April 2005
London Life Group Services Limited	13 April 2005
London Life Holdings Limited	13 April 2005
London Life Linked Assurances Limited	13 April 2005
London Life Limited	13 April 2005

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES (CONTINUED)

Controlled entities lost during first half 2005 (continued)

Name of entity	Date of loss of control over entity
London Life Trustees Limited	13 April 2005
National Provident Institution	13 April 2005
National Provident Life Limited	13 April 2005
New London Properties Limited	13 April 2005
NP Life Holdings Limited	13 April 2005
NPI Annuities Limited (in liquidation)	13 April 2005
NPI Finance plc	13 April 2005
NPI Holdings Limited	13 April 2005
NPI International Dublin Limited (in liquidation)	13 April 2005
NPI Limited	13 April 2005
NPI Payments Limited	13 April 2005
NPI Self Investment Personal Pensions Limited	13 April 2005
Pearl Assurance (Unit Funds) Limited	13 April 2005
Pearl Assurance (Unit Linked Pensions) Limited	13 April 2005
Pearl Assurance Group Holdings Limited	13 April 2005
Pearl Assurance plc	13 April 2005
Pearl Developments Limited	13 April 2005
Pearl GI Limited	13 April 2005
Pearl ISA Limited	13 April 2005
Pearl Trustees Limited	13 April 2005
Pearlinvest Limited	13 April 2005
Premier Pension Trustees Limited	13 April 2005
UKLS Financial Services Limited	13 April 2005
Henderson (Martineau Phase 1) Limited	13 April 2005
Henderson (Martineau Phase 2) Limited	13 April 2005
Henderson (Moor House) Limited	13 April 2005
Henderson MG Birmingham Limited	13 April 2005
Henderson MP Birmingham Limited	13 April 2005
Alcobendas Entrust Limited	13 April 2005
Cinema Entrust Limited	13 April 2005
Crescent Centre Bristol (No. 1) Limited	13 April 2005
Crescent Centre Bristol (No. 2) Limited	13 April 2005
London Life (10 Henrietta Street) Limited	13 April 2005
London Life (11 Henrietta Street) Limited	13 April 2005
London Life (12/13 Henrietta Street) Limited	13 April 2005
London Life (17/18 Henrietta Street) Limited	13 April 2005

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES (CONTINUED)

Controlled entities lost during first half 2005 (continued)

Name of entity	Date of loss of control over entity
London Life (30 Maiden Lane) Limited	13 April 2005
London Life (40/41 Maiden Lane) Limited	13 April 2005
London Life (7/8 Henrietta Street) Limited	13 April 2005
London Life (9 Henrietta Street) Limited	13 April 2005
London Life (Caxton Court) Limited	13 April 2005
London Life (Four Pools) Limited	13 April 2005
London Life (Hambridge) Limited	13 April 2005
London Life (High Road, Whetstone) Limited	13 April 2005
London Life (Lochside Court) Limited	13 April 2005
London Life (Norton Folgate) Limited	13 April 2005
London Life (Oldham Broadway) Limited	13 April 2005
London Life (Oxford SP) Limited	13 April 2005
London Life (Picketts Lock) Limited	13 April 2005
London Life (Union Park) Limited	13 April 2005
London Life (Wharf) Limited	13 April 2005
London Life (Wincheap) Limited	13 April 2005
NPI (10 Gt Newport) Limited	13 April 2005
NPI (10 Henrietta Street) Limited	13 April 2005
NPI (103 Broad Street) Limited	13 April 2005
NPI (12 Eastgate) Limited	13 April 2005
NPI (17/18 Henrietta Street) Limited	13 April 2005
NPI (201 High Street Cheltenham) Limited	13 April 2005
NPI (226 Sauchiehall) Limited	13 April 2005
NPI (28/29 Southampton Street) Limited	13 April 2005
NPI (3 Henrietta) Limited	13 April 2005
NPI (30 Maiden Lane) Limited	13 April 2005
NPI (31 Cornmarket) Limited	13 April 2005
NPI (4 Henrietta Street) Limited	13 April 2005
NPI (40/41 Maiden Lane) Limited	13 April 2005
NPI (42/43 Maiden Lane) Limited	13 April 2005
NPI (4-6 Commercial Street Leeds) Limited	13 April 2005
NPI (55 Temple Row Birmingham) Limited	13 April 2005
NPI (67/68 Long Acre) Limited	13 April 2005
NPI (7/8 Henrietta Street) Limited	13 April 2005
NPI (9 Henrietta Street) Limited	13 April 2005
NPI (Acton Lane) Limited	13 April 2005

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES (CONTINUED)

Controlled entities lost during first half 2005 (continued)

Name of entity	Date of loss of control over entity
NPI (Aspen) Limited	13 April 2005
NPI (Aztec West) Limited	13 April 2005
NPI (Brandon Road) Limited	13 April 2005
NPI (Broadway) Limited	13 April 2005
NPI (CBX) Limited	13 April 2005
NPI (Clarendon Road) Limited	13 April 2005
NPI (Corinthian House) Limited	13 April 2005
NPI (Cranmer House) Limited	13 April 2005
NPI (Crossways) Limited	13 April 2005
NPI (Heathfield Road) Limited	13 April 2005
NPI (Hendon) Limited	13 April 2005
NPI (Hook) Limited	13 April 2005
NPI (Interplex 16) Limited	13 April 2005
NPI (IT, Maidenhead) Limited	13 April 2005
NPI (Kimpton) Limited	13 April 2005
NPI (Lexicon) Limited	13 April 2005
NPI (Lister Road) Limited	13 April 2005
NPI (Marlow) Limited	13 April 2005
NPI (Maylands 1) Limited	13 April 2005
NPI (Maylands 2) Limited	13 April 2005
NPI (Merlin Place) Limited	13 April 2005
NPI (Mile End) Limited	13 April 2005
NPI (Petty Cury) Limited	13 April 2005
NPI (Phase 20 GBP) Limited	13 April 2005
NPI (Phase 21 GBP) Limited	13 April 2005
NPI (Phase 9 GBP) Limited	13 April 2005
NPI (Piercy House) Limited	13 April 2005
NPI (Poplar) Limited	13 April 2005
NPI (Printworks) Limited	13 April 2005
NPI (Queen Annes Gate) Limited	13 April 2005
NPI (Ranger House) Limited	13 April 2005
NPI (Rutland Court) Limited	13 April 2005
NPI (Sitel House) Limited	13 April 2005
NPI (St Catherines) Limited	13 April 2005
NPI (St Martins Place) Limited	13 April 2005
NPI (Stonecutter, Bristol) No 1 Limited	13 April 2005
NPI (Stonecutter, Bristol) No 2 Limited	13 April 2005

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES (CONTINUED)

Controlled entities lost during first half 2005 (continued)

Name of entity	Date of loss of control over entity
NPI (Temple Row) Limited	13 April 2005
NPI (Troy Court) Limited	13 April 2005
NPI (Victoria Square) Limited	13 April 2005
NPI (Westgate) Limited	13 April 2005
Pearl (1/9 Friar Lane) Limited	13 April 2005
Pearl (12/18 St Stephens Street) Limited	13 April 2005
Pearl (21 South Gyle Crescent) Limited	13 April 2005
Pearl (29/30 Commercial Street) Limited	13 April 2005
Pearl (40 Marsh Wall) Limited	13 April 2005
Pearl (Alcobendas) Limited	13 April 2005
Pearl (Alder Castle) Limited	13 April 2005
Pearl (Bampton Way) Limited	13 April 2005
Pearl (Barwell 2) Limited	13 April 2005
Pearl (Blakelands 3) Limited	13 April 2005
Pearl (Bridge Street) Limited	13 April 2005
Pearl (Brunswick 3) Limited	13 April 2005
Pearl (Buchanan Galleries) Limited	13 April 2005
Pearl (CASA II) USA Inc	13 April 2005
Pearl (Castle Street/George Street) Limited	13 April 2005
Pearl (Chiswick House) Limited	13 April 2005
Pearl (Commonwealth House) Limited	13 April 2005
Pearl (Cutlers Court) Limited	13 April 2005
Pearl (Dimensions) Limited	13 April 2005
Pearl (Ellerman House) Limited	13 April 2005
Pearl (Factory Lane, Croydon) Limited	13 April 2005
Pearl (Farnborough Gate) Limited	13 April 2005
Pearl (Five Ways) Limited	13 April 2005
Pearl (Grand Island) Limited	13 April 2005
Pearl (High Wycombe) Limited	13 April 2005
Pearl (Highland Landmark III) USA Inc	13 April 2005
Pearl (Holbrook House) Limited	13 April 2005
Pearl (Key West, Slough) Limited	13 April 2005
Pearl (Midway MK) Limited	13 April 2005
Pearl (Moor House 1) Limited	13 April 2005
Pearl (Moor House 2) Limited	13 April 2005
Pearl (New Bridge Street West) Limited	13 April 2005
Pearl (Orbital Park) Limited	13 April 2005

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES (CONTINUED)**Controlled entities lost during first half 2005 (continued)**

Name of entity	Date of loss of control over entity
Pearl (Parkway Bridge) Limited	13 April 2005
Pearl (Princes Quay) Limited	13 April 2005
Pearl (Printworks) Limited	13 April 2005
Pearl (Quadrant) Limited	13 April 2005
Pearl (St Georges Street, Canterbury) Limited	13 April 2005
Pearl (Stockingswater Lane) Limited	13 April 2005
Pearl (Stockley Park) Limited	13 April 2005
Pearl (Tavistock Road) Limited	13 April 2005
Pearl (Turkey) Limited	13 April 2005
Pearl (Waverley House) Limited	13 April 2005
Pearl (Wexham Springs) Limited	13 April 2005
Pearl (Winter's Building) Limited	13 April 2005
Pearl Gayrimenkul Ticaret ve Yonetimi Limited Sirketi	13 April 2005
Pearl Icerenkoy Gayrimenkul Ticaret ve Yonetimi Limited Sirketi	13 April 2005
Towry Law International (Southern Europe) S.L. (in liquidation)	30 June 2005

Henderson Group plc

ASX Appendix 4D

For the half year ended 30 June 2005

DETAILS OF INVESTMENTS IN JOINT VENTURE ENTITIES AND ASSOCIATED ENTITIES

All joint venture and associated entities were disposed of as a part of the sale of the Life Services business on 13 April 2005 and their contribution to the net profit after taxation attributable to shareholders of Henderson Group plc is reported within discontinued operations in notes 5 and 6 to the accounts.

Joint venture entities

	Ownership interest	
	30 Jun 2005	31 Dec 2004
	%	%
The Printworks Leisure Scheme Trust (property trust)	-	50%

Associated entities

	Ownership interest	
	30 Jun 2005	31 Dec 2004
	%	%
Henderson French Property Fund BV (property fund)	-	41%
Henderson (UK) Retail Warehouse Fund	-	22%
Moor House Limited Partnership (property trust)	-	33%
The Covent Garden Limited Partnership (property partnership)	-	37%

GLOSSARY

CDO	Collateralised Debt Obligation
Companies Act 1985	the United Kingdom Companies Act 1985, as amended
Corporations Act 2001	the Australian Corporations Act 2001
IFRS	International Financial Reporting Standards
liquidity	net cash flows available for investment in the summarised Consolidated Cash Flow Statement
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
UK GAAP	UK Generally Accepted Accounting Practice
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