

2005 Interim Results

24 August 2005

- Operating profit before tax from continuing operations of £37.0 million (1H2004: £28.7 million), reflecting steady progress in Henderson Global Investors and Towry Law UK, lower corporate costs and returns on increased cash balances
- Profit before tax for the discontinued Life Services business in the period from 1 January 2005 to the disposal date 13 April 2005 was £16.7 million (1H2004: £18.8 million loss after eliminating intra-group profits)
- Profit on ordinary activities before tax from all operations of £35.1 million (1H2004: £21.2 million) after allowing for loss on disposal of discontinued operations totalling £18.6 million (1H2004: £11.3 million profit)
- Profit on ordinary activities after tax from all operations of £23.7 million (1H2004: £5.1 million)
- Henderson Global Investors operating profit up 5% to £38.0 million (1H2004: £36.2 million)
- Henderson Global Investors cost to income ratio improved to 70.6% (1H2004: 71.9%)
- Henderson Global Investors assets under management of £66.5 billion (31 Dec 2004: £69.1 billion)
- Towry Law UK operating profit of £1.6 million (1H2004: £0.1 million loss)

Comment from Chief Executive, Roger Yates

In first half 2005, we made steady progress against our business objectives, including improvements in operating profit and efficiency. We completed the sale of the Life Services business, returned cash to shareholders and strengthened our financial position.

Henderson Global Investors operating profit was up 5% in first half 2005 against the same period last year on the back of increased revenues from higher margin products, higher investment income and slightly lower operating expenses. In addition, Henderson Global Investors is on track to reach its 75% annual cost to income target in the short to medium term. The improvement from 71.9% in first half 2004 to 70.6% in first half 2005 was due to slightly lower operating expenses. Total margins on average assets under management increased from 36bps in first half 2004 to 37bps in first half 2005 and net margins from 10bps in first half 2004 to 11bps in first half 2005.

The Life Services business contributed £16.7 million profit before tax from 1 January 2005 to the disposal date (first half 2004: £18.8 million loss after eliminations). This was offset by a loss on disposal based on the adjusted fair value of the Life Services business in first half 2005 of £18.6 million (first half 2004: £11.3 million profit on disposal of discontinued operations).

During the period, we improved the capital position by allocating a lower proportion of the proceeds from the sale of the Life Services business to specific risks in the sale agreement, and by realigning regulatory and working capital requirements.

Henderson Global Investors – continued improvement in margins

Operating profit before tax was £38.0 million - up 5% from £36.2 million in first half 2004. This reflects the focus on higher margin products, increased investment income and slightly lower operating expenses.

Total fee income in first half 2005 was £124.9 million, down 1% from £125.8 million in first half 2004 due to slightly lower management fee income (down 2% to £95.3 million) and lower transaction fee income (down 14% to £13.0 million), largely offset by an increase in performance fees (up 23% to £16.6 million). Continued growth in higher margin business produced a more profitable product mix, with the total fee margin for Henderson Global Investors up from 36bps in first half 2004 to 37bps in first half 2005.

Investment income increased 38% from £3.2 million in first half 2004 to £4.4 million in first half 2005, due to higher cash balances.

Total operating expenses decreased by 1% to £89.8 million 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 managers. The reduction in overall expenditure delivered an improvement in the cost to income ratio to 70.6% in first half 2005 compared with 71.9% in first half 2004, and an improvement in net margin from 10bps to 11bps.

Total assets under management at the end of first half 2005 were £66.5 billion (down 4% on 31 December 2004). Net client outflows of £5.6 billion were partly offset by favourable market and exchange rate movements of £3.0 billion. The client outflows were due to expected outflows associated with the run-off of the Pearl Group funds and the institutional business.

Towry Law UK – return to profit

Towry Law UK continues to show a steady improvement in performance, and recorded a £1.6 million profit in first half 2005 compared with a £0.1 million loss in first half 2004. A number of restructuring initiatives undertaken in 2004 have started to show benefits, 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 Independent Financial Advisory division, difficult corporate markets and softening insurance rates.

Towry Law International continues to work with the Hong Kong Securities and Futures Commission to ensure that all legacy product issues are being dealt with appropriately.

Corporate office

Corporate costs were £7.2 million for first half 2005 compared with £8.1 million in first half 2004. A substantial reorganisation of the corporate office took place in the second quarter of 2005 following the sale of the Life Services business and a number of corporate staff were transferred to the outgoing business or left the Group.

Balance sheet and liquidity

The balance sheet remains strong, with high liquidity and minimal gearing. The Group has adequate provisions in place (£127 million at 30 June 2005), which cover a variety of matters such as restructuring costs, legacy product mis-selling and staff defined benefit pension obligations.

In line with its stated policy, the Board intends to return capital not needed for the business to shareholders. At 30 June 2005 the balance sheet showed equity shareholder funds of £620 million, of which approximately £190 million could be described as surplus capital, more than the £125 million retained capital reported at the time of the full-year 2004 results. The Board will consider in detail the capital needs of the business and update shareholders on capital planning with the full-year 2005 results in February 2006.

Dividend

No ordinary dividend is proposed for first half 2005 (1H2004: nil), however, in line with Henderson Group's previous statement, a final dividend is expected to be paid in early 2006 in respect of the second half of 2005. An initial payout ratio of 50% of post tax profits will be targeted, phased one third interim and two thirds final dividend. Further guidance on the quantum and timing of the dividend will be provided with the full-year 2005 results in February 2006.

The Board of Directors

During the year four members retired from the Board – Sir Malcolm Bates and Peter Costain in February 2005, Sir William Wells in June 2005 and Ian Laughlin on completion of the sale of the Life Services business (13 April 2005). Rupert Pennant-Rea succeeded Sir Malcolm Bates as Henderson Group Chairman in March 2005.

Outlook for full year 2005

Assuming continued benign markets, Henderson Group is on track to meet its financial objectives for 2005. Henderson Global Investors is benefiting from good sales of higher margin products, which should offset margins lost from any reduction in assets under management during 2005. Although we are expecting an increase in costs in second half 2005, profitable revenue growth should enable Henderson Global Investors to reach its targeted annual expense ratio of 75% in the short to medium term.

We anticipate Towry Law UK will remain profitable in second half 2005, although it is likely to contribute only a small portion of Group profits. Corporate costs should be lower than the levels seen in first half 2005 as a result of lower shareholder servicing and staff costs, and investment income should remain flat.

The Group is well capitalised, and we will remain disciplined and prudent in the way we manage that capital.

Notes to editors

Background to the sale of the Life Services business

In December 2004, HHG PLC (now known as Henderson Group plc) announced the proposed sale of the Life Services business. The Sale completed on 13 April 2005 and £871 million of the £1.070 billion was returned to shareholders in early May 2005. On 22 April 2005 the Group changed its name from HHG PLC to Henderson Group plc and the stock code changed from HHG to HGI on 26 April 2005 on the London Stock Exchange and on 11 May 2005 on the Australian Stock Exchange.

About Henderson Group plc

Henderson Group plc is headquartered in London and listed on the London and Australian stock exchanges. It is a member of both the FTSE 250 and the ASX 200 indices.

Henderson Group consists of:

- Henderson Global Investors, a leading European based investment manager with over £66.5 billion of assets under management.
- The much smaller financial advisory firm based in the UK, Towry Law.

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

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

Further information

www.henderson.com or

Investor enquiries

Mav Wynn

Henderson Group Head of Investor Relations +44 20 7818 5135
investor.relations@henderson.com

Media enquiries

United Kingdom – Finsbury

Andrew Mitchell

+44 20 7251 3801

Australia - Cannings

Gloria Hawke

+61 2 9252 0622

Details of Henderson Group's 2005 interim results teleconferences

Australia – 4.30pm (Sydney time) 7.30am (London time), 24 August

For a telephone link to the briefing dial numbers below at 4.25pm, for 4.30pm start.

From

Australia	1800 007 905	(free call)
United Kingdom	0800 559 3272	(free call)
All other countries	+44 (0) 20 7784 1020	(this is not a free call)

United Kingdom – 9.30am (London time), 6.30pm (Sydney time), 24 August

For a telephone link to the briefing dial numbers below at 9.25am, for 9.30am start.

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United Kingdom	0800 279 9640	(free call)
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For a telephone link to the briefing dial numbers below at 2.55pm, for 3.00pm start.

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United States	1866 239 0750	(free call)
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