



ASX Appendix 4D

Announcement of 2006 Interim Results

For the half year ended 30 June 2006

The information contained in this document should be read in conjunction with the Henderson Group plc (Company) Full Annual Financial Report and Accounts for the year ended 31 December 2005 and any public announcements made by the Company and its controlled entities (Group) during the year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Australian Stock Exchange (ASX) Listing Rules. This report includes the half year information required to be given to the ASX under Listing Rule 4.2A.

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

Financial results

	6 months 30 Jun 2006 Unaudited £m	6 months 30 Jun 2005 Unaudited £m	% movement
Revenue from ordinary activities ¹	158.1	137.9	14.6
Profit from ordinary activities after tax attributable to members ²	35.4	27.2	30.1
Net profit after tax for the period attributable to members	35.4	27.2	30.1

Dividends

An interim dividend of 1.39 pence per ordinary share of 10 pence each of the Company (2005: nil) was paid on 26 June 2006 in respect of the six months ended 31 December 2005. The Directors have declared an interim dividend in respect of the six months ended 30 June 2006 of 0.88 pence per ordinary share of 10 pence each of the Company (2005: nil).

	Amount per security pence	Franked amount per security pence
2006 interim dividend (0% franked)	0.88	-
Record date	13 October 2006	
Payment date	24 October 2006	

Net tangible assets per ordinary share

	30 Jun 2006 pence	30 Jun 2005 pence
Net tangible assets per 10 pence ordinary share	40	32

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

The results and the financial information included within this Announcement of 2006 Interim Results have been subject to an independent review by the external auditor.

¹ Revenue for continuing operations, before the elimination of intra-group transactions with discontinued operations up to the date of their disposal.

² Profit after tax for all operations, both continuing and discontinued.

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BUSINESS REVIEW

The results of the Group comprise three components:

- the core investment management component, Henderson Global Investors (Henderson);
- the Corporate Office (Corporate), responsible for dealing with the requirements of being a dual listed company; and
- the results of discontinued operations.

The results of the Group for the six months ended 30 June 2006 are summarised below, with comparatives:

	6 months 30 Jun 2006 Unaudited £m	6 months 30 Jun 2005 Unaudited £m	12 months 31 Dec 2005 Audited £m
Henderson	46.6	38.0	62.9
Corporate costs	(7.0)	(7.2)	(12.8)
Return on Corporate cash	6.6	4.6	13.3
Net profit before tax from continuing operations	46.2	35.4	63.4
Net (loss)/profit before tax from discontinued operations ³	(2.0)	(0.3)	0.6
Net profit before tax from all operations	44.2	35.1	64.0
Taxation – continuing operations	(8.6)	(6.6)	(11.5)
Taxation – discontinued operations	(0.1)	(4.8)	(4.8)
Total taxation	(8.7)	(11.4)	(16.3)
Net profit after tax from all operations	35.5	23.7	47.7
Attributable to:			
Equity holders of the parent	35.4	27.2	51.2
Minority interests	0.1	(3.5)	(3.5)
	35.5	23.7	47.7
Henderson			
Assets under management	£63.1bn	£66.5bn	£67.7bn
Cost to income ratio	69.2%	70.6%	75.5%

³ Includes operating profits in the period from discontinued operations to the date of disposal; gains/(losses) on disposal of discontinued operations; and crystallised warranty claims in respect of discontinued operations.

THE CONSOLIDATED GROUP RESULT

The Group prepares its consolidated results under International Financial Reporting Standards (IFRS). The Group's net profit before tax from continuing operations⁴ for the six months to 30 June 2006 was £46.2 million, an increase of £10.8 million (31%) on the six months to 30 June 2005 (£35.4 million). Henderson delivered a 23% increase in net profit before tax to £46.6 million in 1H06 (1H05: £38.0 million), this is set out in more detail on page 4. Corporate costs were £7.0 million in 1H06, down 3% from £7.2 million in 1H05. The return from Corporate cash balances was £6.6 million in 1H06 compared to £4.6 million in 1H05. Discontinued operations made a loss of £2.0 million before tax (1H05: £0.3 million loss), representing a profit of £9.7 million in respect of Towry Law UK and a loss of £11.7 million in respect of the Life Services business.

Group taxation

The income tax charge recorded in the Consolidated Income Statement for the six months to 30 June 2006 was £8.7 million, comprising a £8.6 million charge for continuing operations, with an effective tax rate of 18.6%, and a £0.1 million charge for discontinued operations (including Towry Law UK up to its disposal date). The effective tax rate for all operations is 19.7%. A reconciliation of the UK corporation tax rate of 30% to the effective rate for all operations is provided in note 4 to the Interim Condensed Financial Statements.

HENDERSON RESULT

Henderson's strategy is to build a scaleable, profitable Pan-European active investment management business based on core equity and fixed interest investment capabilities, and growing assets under management (AUM) in higher margin specialist products such as Absolute Return Funds, Wholesale Funds for retail investors (UK OEIC and Unit Trusts, Horizon Funds and US Mutual Funds), Property Funds and Private Capital.

To achieve this, Henderson seeks to:

- deliver saleable investment performance;
- develop a sustainable entrepreneurial culture to attract and retain the best people;
- develop innovative specialist products and rapidly bring them to market;
- closely co-ordinate investment management, distribution and client servicing activities across all channels;
- deliver improvements to the cost to income ratio.

Improved 1H06 result – 23% up on 1H05

Net profit before tax for Henderson in 1H06 was £46.6 million, up 23% from £38.0 million in 1H05. This performance reflects management's focus on improving total fee margins on assets managed. The total fee margin increased from 37.3bps in 1H05 to 43.0bps in 1H06. In addition, the management fee and net margins have improved from 28.4bps in 1H05 to 32.1bps in 1H06, and 11.3bps in 1H05 to 13.8bps in 1H06 respectively.

⁴ Before eliminations between continuing and discontinued operations. There are no such eliminations during the six months to 30 June 2006. However, transactions between Henderson and the Pearl Group prior to 13 April 2005 were required to be eliminated. These were primarily in respect of investment management fees charged by Henderson to the Pearl Group on an arm's-length basis.

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SUMMARISED INCOME STATEMENT OF HENDERSON

	6 months 30 Jun 2006 Unaudited £m	6 months 30 Jun 2005 Unaudited £m	12 months 31 Dec 2005 Unaudited £m
Management fees (net of commissions payable)	108.4	95.3	196.3
Transaction fees	12.6	13.0	24.4
Performance fees (net of fund manager bonus)	24.2	16.6	26.5
Total fee income	145.2	124.9	247.2
Investment income	6.3	4.4	9.9
Total income	151.5	129.3	257.1
Operating expenses	(103.5)	(89.8)	(189.1)
Depreciation and amortisation	(1.4)	(1.5)	(5.1)
Total expenses	(104.9)	(91.3)	(194.2)
Operating profit before tax	46.6	38.0	62.9
Margins on average AUM⁵			
Average AUM (£bn)	67.5	67.0	66.9
Management fee margin (bps)	32.1	28.4	29.4
Total fee margin (bps)	43.0	37.3	37.0
Net margin (bps)	13.8	11.3	9.4

Total fee income in 1H06 was £145.2 million, up 16% from £124.9 million in 1H05. Management fee income increased by 14% to £108.4 million in 1H06 due to growth in higher margin business lines and improved equity markets compared to 1H05. This was partly offset by revenue lost from Institutional client outflows and the continuing run-off of Pearl Group funds. Transaction fee income decreased marginally to £12.6 million. Net performance fees increased by 46% to £24.2 million in 1H06, reflecting strong performance in key products and increasing performance fee diversity. These are typically higher in the first half of the year, as the majority of funds which generate performance fee opportunities have year ends on or before 30 June.

Absolute Return Funds, Horizon Funds, US Mutual Funds, Collateralised Debt Obligation and Property Funds have all contributed to the change in product mix and improved margins.

Operating expenses increased by 15% to £103.5 million in 1H06. A reduction in costs across most expense categories was offset by increased staff and IT costs. The increase in staff costs was almost entirely in respect of variable remuneration schemes, including share schemes. The increase in IT costs was mainly due to the cost of upgrading the derivatives trading platform, and the ongoing cost of investment management related services previously paid for under "soft commission" arrangements.

Overall, the increase in total income more than offset the higher costs in 1H06 resulting in an improvement in the cost to income ratio from 70.6% in 1H05 to 69.2% in 1H06.

Product and geographic mix

Henderson is predominantly managed on an investment capabilities rather than geographic basis. In seeking to improve operating margins, Henderson's strategy is to focus on growing AUM in 'specialist' product areas. These specialist products include Absolute Return Funds, Property Funds, Wholesale Funds and Private Capital Funds. Where applicable, the aim is to leverage off core fixed income and equity capabilities.

⁵ Margins on average AUM are calculated by reference to the appropriate income or profitability measure.

The margins and net contribution of these specialist product areas are, typically, higher than for more generalist product areas, though there are exceptions, for example Investment Trusts. Revenues on specialist products for the six months to 30 June 2006 were £101.8 million (1H05: £72.7 million), with allocated costs of £48.4 million (1H05: £39.7 million), giving a net contribution to overheads of £53.4 million (1H05: £33.0 million). Generalist products (comprising Institutional, Investment Trusts and Pearl Group) gave rise to revenues of £43.4 million in 1H06 (1H05: £52.2 million), with allocated costs and net contribution levels for 1H06 of £29.0 million (1H05: £30.1 million) and £14.4 million (1H05: £22.1 million) respectively. Gross margins before overheads were 52% (1H05: 45%) for specialist products and 33% (1H05: 42%) for generalist products. Overheads relate primarily to central support services costs.

Based on where clients are sourced, performance of the Pan-European business has improved on 1H05, with income increasing by 14.4%, to £136.5 million. This is due to a combination of strong performance fees and positive net sales from Absolute Return Funds, Wholesale Funds and Property Funds. Income from the US business in the same period was £10.7 million, up 56.3% on 1H05, due to net sales of US Mutual Funds of £0.4 billion. Given that we established a US Mutual Funds presence only five years ago, we have captured a significant market share in respect of the funds in this range. The International Opportunities Fund, now our largest Wholesale Fund worldwide, and European Fund captured 6.0% and 45.3% of net flows in their respective sectors during 1H06. Our Asian offices have also performed well in 1H06, with revenues up 33.2% to £4.2 million.

These overseas operations are starting to see the benefits of our investment in people and infrastructure in these regions over recent years and, whilst the Henderson business continues to be largely UK based, are becoming increasingly important. Early indications are that this positive trend is continuing in the second half.

Investment capabilities and distribution

Henderson favours an active investment management style and has historically offered a broad range of products. This reduces the exposure of our business to individual product lines and provides the capability to deliver attractive product offerings under different market conditions.

There are four client-facing distribution teams based in the UK which focus on Institutional, UK Wholesale, Continental Europe Wholesale and Investment Trusts. In addition, there are Institutional and Wholesale teams operating within the US and Asia. Cross-selling occurs where possible with, for example, Absolute Return Funds being distributed by both Institutional and Wholesale teams internationally.

We believe our strategy is working:

- the Absolute Return Fund business continues to grow both in terms of AUM and by number of funds. AUM at 30 June 2006 amounted to US\$3 billion (£1.6 billion), up more than 50% since the beginning of 2006. During 1H06 we launched three new funds: the Global Equity Multi-Strategy Fund which complements the existing regional Multi-Strategy Funds operating in Europe and North America, the Japan Select Fund and the Henderson Managed Account. This takes the total number of Absolute Return Funds in the range to 15.

These funds were launched using existing investment professionals, continuing our commitment to provide an opportunity for top investment managers to manage both long-only and long-short portfolios. This creates an entrepreneurial culture and helps Henderson to retain top managers. There are strict codes of practice in place to ensure that the risks of conflicts of interest arising from the same individuals managing long-only and long-short portfolios simultaneously are mitigated. We are committed to developing new investment strategies and expanding the geographical reach of this part of the business in major markets like North America to meet growing demand from institutional investors for more diversified and flexible alpha return vehicles;

- our Continental European Wholesale business has performed well during the period. The Horizon Fund range saw net sales in 1H06 of £0.4 billion, 50% emanating from Continental Europe, where we have offices in France, Germany, Italy, Luxembourg, Switzerland and the Netherlands. The balance of Horizon sales arose predominantly in our Asian business, headquartered in Singapore but with a presence in Japan, Hong Kong, Taiwan, India and Malaysia. This region saw a 421% increase in net sales compared to the same period in 2005.

AUM across the Horizon range now exceed US\$5.2 billion (£2.8 billion), reflecting growth of almost 224% over the last three years. It is our intention to launch further Horizon funds during 2H06, and to continue broadening the range thereafter, capitalising on our ability to marry traditional long-only and long-short techniques within a UCITS III wrapper;

- gross sales in UK Wholesale in 1H06 amounted to £0.3 billion, despite poor equity markets for much of the second quarter. Markets, however, rebounded in June, when we saw the highest gross new business figures for Henderson in any month for a number of years. There are signs that consultants are beginning to view Henderson capabilities more positively, for example in response to newly recruited fund managers such as Graham Kitchen and Andy Jones, who are working on improving the performance of our UK Income and Growth Fund;
- the priority in US Wholesale continues to be the deepening of relationships with current distributors in what is still, for Henderson, a relatively new market. Strong Mutual fund sales in 1H06 of US\$0.7 billion net (£0.4 billion net), a 170% improvement on the same period in 2005, increased US Mutual AUM to US\$2.2 billion (£1.2 billion) at 30 June 2006. The Mutual fund range as a whole continues to deliver strong investment performance, with all eligible funds within the range achieving four Morningstar Ratings at 30 June 2006. The strength of these funds should continue to open up further distribution opportunities in 2H06;
- in July, the Investment Trust business launched its first new Investment Trust for six years, Global Property Companies Limited, as well as "ItsHenderson" – an innovative dealing platform for private investors allowing them to manage all of their dealing, PEPs and ISAs from one location;
- our balanced mandate Institutional business continues to experience outflows, although we have seen a marked slow down in the rate of attrition compared to 2005. Sentiment towards our Institutional business is improving with consultants upgrading our investment capabilities in key areas, especially those in which we are seeking to expand, such as secured loans. In Continental Europe, our Institutional client base is growing. We expect balanced mandate outflows to continue into 2H06, but for the associated revenue losses to be more than offset by revenue gains from higher margin Institutional inflows;
- Henderson has both Direct Property and Property Securities fund capabilities. Property products are distributed by the various distribution teams, with the support of local and central Henderson property expertise. The primary objective for 2006 is investment of existing capital commitments from clients. £0.8 billion was invested during 1H06, twice the amount during 1H05. Committed but uninvested capital (including gearing) was £1.2 billion at 31 December 2005. As a result of further equity being raised in the current period, Property commitments now stand at approximately £2.5 billion;
- the Private Capital business has made progress in Asia, and with its Private Finance Initiative. Other operations continue to run off including the European Fund, the management of which will be transferred back to the Pearl Group in 2H06; and
- the signing of the new IMAs with the Pearl Group represents a positive outcome for the Group, with greater potential performance fee opportunities. Whilst there will be greater flexibility for the Pearl Group to reallocate assets or novate mandates to other managers, revenues are protected regardless of market movements and the level of AUM.

Investment performance

Performance in the year to date is, overall, positive, with 51% of listed asset funds beating benchmark, including good retail out-performance compared to peers (64%), offset by Institutional performance. Performance over benchmark was 64% for Equities (1H05: 49%) and 41% for Fixed Income (1H05: 78%). UK and European Property performance is subject to annual Investment Property Databank (IPD) benchmarks. 2005 IPD benchmarks were released in April 2006 and 92% of Henderson Property funds worldwide out-performed. Henderson won a total of 14 investment performance awards during 1H06, including the IPE Real Estate Magazine Award as Best Property Investment Manager, and the Lipper Award (US) for Best Three Year Performance by a Small Fund Group, which should assist in our drive to continue to build momentum in our US business.

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On the whole, specialist products performed well against their benchmarks including Absolute Return Funds (89%), US Mutual Funds (100%), and Enhanced Index Funds (91%). Performance of the Horizon range has been in line with peers in the first half (49%), with one-year and three-year performance at 81% and 98% respectively. The performance of UK Equity and Balanced pension funds has continued to improve, and the performance of our pooled and segregated insurance assets has improved significantly.

Assets under management (AUM)

Total AUM decreased in 1H06 from £67.7 billion at the start of the period to £63.1 billion at 30 June 2006. Net client outflows of £4.8 billion included £1.5 billion of net outflows from the Pearl Group; £2.9 billion from lower margin Institutional business; and a further £2.4 billion of outflows in relation to the loss of the Virgin Money Group mandate. This was in accordance with the sale agreement for Virgin Money Group which completed on 27 April 2004. The impact of this loss of funds on profitability is negligible as they were managed as index tracker funds. Net inflows from higher margin alternative products were £2.0 billion. There were favourable market and foreign exchange rate movements of £0.2 billion. The amount of property business won but not invested at 30 June 2006 stood at approximately £2.5 billion. This balance is not included within AUM listed below.

Summary of movements in AUM by distribution channel

	Opening AUM 31 Dec 2005 £bn	Net flows £bn	Market/FX £bn	Closing AUM 30 Jun 2006 £bn
Retail – open ended	7.2	0.8	0.1	8.1
Retail – closed ended	3.9	(0.1)	0.1	3.9
Institutional *	26.2	(1.6)	0.3	24.9
Pearl Group	28.0	(1.5)	(0.3)	26.2
Virgin Money Group *	2.4	(2.4)	-	-
Total	67.7	(4.8)	0.2	63.1

* The Virgin Money Group mandate was included within Institutional funds in Full Annual Financial Report and Accounts for the year ended 31 December 2005

Summary of AUM by type of asset

	30 Jun 2006 £bn	31 Dec 2005 £bn
UK equity	13.1	16.0
International equity	12.1	12.6
Total equity	25.2	28.6
Fixed income	29.8	32.1
Property	7.3	6.3
Private equity	0.8	0.7
Total AUM	63.1	67.7

THE CORPORATE RESULT

Corporate costs

Corporate costs amounted to £7.0 million in 1H06 (1H05: £7.2 million). These costs include shareholder servicing costs, and finance and secretariat functions which are not directly attributable to individual business units. 1H06 costs also include expenses of £2.0 million associated with the strategic acquisition opportunity reviewed earlier this year and with the renegotiation of the Pearl Group IMAs.

Return on Corporate cash

The return on Corporate cash was £6.6 million in 1H06 (1H05: £4.6 million). This return arose primarily from Group cash and liquid investments, and excludes returns on Henderson investments, including Banca Popolare Italiana and cash held to meet regulatory and other strategic requirements. Returns on cash held by Henderson entities form part of Henderson revenues analysed on page 4.

The increased return on Corporate cash stems from the retained proceeds in respect of the sale of the Life Services business.

Pensions

There are three pension plans within the Group: the funded and approved defined benefit plan, which closed to new members on 15 November 1999 and, along with the funded and approved money purchase plan, forms the Henderson Group Pension Scheme (Scheme); and a number of smaller unapproved pension top-up plans for executives.

The net liability in respect of post-retirement obligations at 30 June 2006, before any reduction for tax relief, was £42.8 million (31 December 2005: £45.6 million). The movement in the liability during 1H06 is principally due to:

- an increase in the AA Corporate Bond rate at which liabilities are discounted, from 4.74% at 31 December 2005 to 5.20% at 30 June 2006; and an increase in the retail price index from 2.8% to 3.1%. These movements are the result of fluctuations in the wider UK economy, rather than as a result of any changes to the basis on which Scheme assumptions have been prepared. The combined effect has been to decrease liabilities by £29.8 million; and
- a strengthening of the member longevity assumption following completion of the Scheme's triennial valuation by Watson Wyatt as at 31 December 2005, which has increased liabilities by £25.1 million.

In conjunction with the proposed return of capital to shareholders in October 2006, an agreement was reached with the trustees of the Scheme on 8 May 2006 for the Group to contribute £80 million over-and-above regular funding contributions. This special contribution is to be made in three instalments of £40 million, £20 million and £20 million in October 2006, 2007 and 2008 respectively. The Group remains in discussion with the trustees concerning other aspects of the triennial valuation and expects to reach agreement on future funding targets by 31 March 2007.

Regulatory requirements

Henderson is currently subject to both solo entity and consolidated capital requirements. Solo requirements are calculated for all UK regulated entities by adding expenditure and asset based requirements together, as determined by guidelines set out by the FSA within the Integrated Prudential Sourcebook for Investment Businesses. Entities regulated by an overseas supervisory body are subject to local requirements. The consolidated and solo requirements for the Group as at 30 June 2006 amounted to £80 million.

The regulatory environment in Europe (including the UK) is changing, as the EU strives to harmonise regulatory practices across both EU member states and different sectors of the financial services industry through implementation of the Capital Requirements Directive on 1 January 2007. Whilst the legislation is not yet finalised, there is greater clarity on the new requirements than previously. It is still the expectation that, in aggregate, the level of capital held to meet regulatory resource requirements will be no more than that under the current regime. There is some potential that it could be less. Further, the Group believes it can meet the criteria set out in BIPRU 8.4 and therefore intends to submit a waiver application to the FSA in respect of consolidated supervision. Should the application be successful, the Group would no longer be required to deduct goodwill in arriving at its eligible capital resources.

Capital

The current level of capital held by the Group exceeds that which the Board believes is necessary to run the business prudently and meet the Group's existing regulatory requirements. It is therefore intended that approximately £200 million be returned to shareholders by 24 October 2006, subject to UK Court and shareholder approval. This is in addition to the £16.1 million dividend payment (of 1.39 pence or equivalent per share), which the Group made in June 2006 in respect of 2H05 and the 2006 interim declared dividend referred to below.

2006 interim dividend

The Board has declared an interim dividend of 0.88 pence or equivalent per share (£10.1 million) in respect of 1H06, to be paid with the proposed capital return by 24 October 2006 to all shareholders on the register at 13 October 2006.

Financial risk management

The Group has designed a framework to manage the risks of its business, and ensure that the Directors have in place risk management practices appropriate to a listed company. There are clearly defined financial risk management objectives and policies in place, covering asset valuation risk, interest risk, liquidity risk, foreign exchange risk and credit risk. Management of these risks within the Group is governed by the Board and its committees, as set out more fully in note 16 of the 31 December 2005 Full Annual Financial Report and Accounts.

Discontinued operations

The disposals of the Life Services business and Towry Law UK on 13 April 2005 and 3 May 2006 respectively, have affected the results to 30 June 2006 as follows:

- the terms of the Life Services business sale agreement included certain warranty and indemnity provisions whereby the Group would be required to compensate the Pearl Group (the acquirer) in certain circumstances. As set out in the Proposal for Shareholders and CDI Holders prior to the sale, the Group's maximum liability under these warranties and indemnities is £325 million. Notice of any claims was required from the Pearl Group within 15 months of the date of sale (that is, 13 July 2006), except broadly in the case of indemnities and warranties relating to taxation matters, where longer time limits apply.

As announced by the Group on 30 June 2006, a claim from the Pearl Group of €17 million (£11.7 million) has been agreed under these terms and recognised as a charge to the Consolidated Income Statement for discontinued operations at 30 June 2006. This amount was paid by the Group on 11 July 2006 in full and final settlement of any non-taxation warranty related claims from the Pearl Group in respect of the sale of the Life Services business. The payment reduces the amount of capital previously disclosed by the Group as allocated to warranties and indemnities under the Life Services business sale agreement; and

- the Group announced on 21 December 2005 that an agreement had been reached with JS&P Holdings Limited for the sale of Towry Law UK. At that time, the sale remained subject to FSA approval. The assets and liabilities of Towry Law UK were disclosed as held for sale on the Group's 31 December 2005 balance sheet pending completion, as required under IFRS. The FSA approved the disposal on 3 May 2006, which resulted in a pre-tax profit on disposal for the Group of £9.5 million, comprising disposal proceeds of £37.2 million less £26.1 million net assets disposed of and £1.6 million costs of sale. There is £0.1 million of taxation payable on this profit.

The profit of Towry Law UK up to the date of its disposal, £0.2 million (1H05: £1.6 million), has been recognised in the Consolidated Income Statement as discontinued, as required under IFRS. The treatment for the six months to 30 June 2006 is consistent with the 31 December 2005 Full Annual Financial Report and Accounts, which included a reconciliation setting out the impact of reclassifying Towry Law UK from continuing to discontinued operations in 2H05. Information on the sale of Towry Law UK is available at www.henderson.com, and a full analysis of the profit on the disposal is included in note 8.2 of the Interim Condensed Financial Statements.

The above items result in a net loss before tax from discontinued operations in 1H06 of £2.0 million (1H05: £0.3 million loss).

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Following the completion of the sale of Towry Law UK in May 2006, the Life Services business in April 2005, and the closure of Towry Law International in May 2004, all non-investment management businesses have been disposed of. The impact of those businesses on the future results of the Group will be limited to the recognition of any claims crystallising under remaining warranties or indemnities in connection with both disposals, and differences in respect of the Towry Law International legacy provisions.

Outlook

We expect to add further assets in 2H06 to our higher margin product areas of Wholesale Funds, Absolute Return Funds and Property, although at a slower rate than in 1H06. As regards outflows from the Pearl Group and our Institutional business, the trend is harder to predict. Institutional outflows are gradually starting to subside, although we still expect a further outflow in 2H06.

As regards profitability, the emphasis on high margin products is driving income and profitability in the right direction. For the full year, we can improve further on this and expect to deliver a cost to income ratio for Henderson not exceeding 73%, compared to 75.5% in 2005. We remain committed to further reducing our cost to income ratio, and believe that a 70% ratio for Henderson should be achievable in 2007.

On capital planning, we aim to complete the return of approximately £200 million to shareholders by 24 October this year. The return on Corporate cash should fall correspondingly in 2H06. Our initial analysis suggests that a further return of £150 million to £200 million could be possible in 2007 with the introduction of a prudent level of gearing to the balance sheet, which we are examining in conjunction with the implementation of the new Capital Requirements Directive, expected in early 2007.

Overall, the business is on the right track with good momentum in key high margin areas, further opportunities to improve profitability, and scope to provide a further capital return to shareholders next year. All of this remains subject to benign market conditions.

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the half year ended 30 June 2006

	Notes	Continuing operations ¹ £m	Discontinued operations ² £m	Eliminations ³ £m	Total ⁴ £m
Income					
Gross fee income and commission receivable on sales		189.8	-	-	189.8
Finance income		13.0	-	-	13.0
Total income		202.8	-	-	202.8
Commissions and fees payable against income		(44.7)	-	-	(44.7)
Net fee and commission income		158.1	-	-	158.1
Expenses					
Administration costs		(110.5)	-	-	(110.5)
Other charges		(1.4)	-	-	(1.4)
		(111.9)	-	-	(111.9)
Finance costs		-	-	-	-
Net profit before tax from continuing operations		46.2	-	-	46.2
Taxation		(8.6)	-	-	(8.6)
Net profit after tax from continuing operations		37.6	-	-	37.6
Discontinued operations					
Net (loss) after tax from discontinued operations	9.1	-	(11.5)	-	(11.5)
Net profit after tax on disposal of discontinued operations	8.1	-	9.4	-	9.4
Net (loss) after tax from discontinued operations		-	(2.1)	-	(2.1)
Net profit/(loss) before tax from all operations		46.2	(2.0)	-	44.2
Total taxation	4	(8.6)	(0.1)	-	(8.7)
Net profit/(loss) after tax from all operations		37.6	(2.1)	-	35.5
Attributable to:					
Equity holders of the parent					35.4
Minority interests – continuing operations					0.1
					<u>35.5</u>
Dividends					
Dividends declared and charged to equity in the period (1.39 pence per share)	3				(16.1)
Dividends declared but not yet charged to equity (0.88 pence per share)	3				(10.1)
Earnings per share (all operations)					
Basic earnings per share	7	3.3p	(0.2p)	-	3.1p
Diluted earnings per share	7	3.2p	(0.2p)	-	3.1p
Continuing operations earnings per share					
Basic earnings per share					3.3p
Diluted earnings per share					3.2p

¹ The continuing operations column represents the continuing business of the Group before eliminations.

² The discontinued operations column represents the discontinued operations of Towry Law International, Towry Law UK and the Life Services business.

³ Eliminations represent intra-group transactions between continuing and discontinued operations up to the date of disposal. There are none necessary between Henderson Group plc, Towry Law International, Towry Law UK or the Life Services business during the period.

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

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For the half year ended 30 June 2006

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the half year ended 30 June 2005

	Notes	Continuing operations ¹ £m	Discontinued operations ² £m	Eliminations ³ £m	Total ⁴ £m
Income					
Gross fee income and commission receivable on sales		136.7 ⁵	-	(7.3)	129.4
Finance income		17.0	-	(2.1)	14.9
Total income		153.7	-	(9.4)	144.3
Commissions and fees payable against income		(15.8) ⁵	-	-	(15.8)
Net fee and commission income		137.9	-	(9.4)	128.5
Expenses					
Administration costs		(97.4)	-	0.4	(97.0)
Other charges		(1.5)	-	-	(1.5)
		(98.9)	-	0.4	(98.5)
Finance costs		(3.6)	-	3.0	(0.6)
Net profit before tax from continuing operations		35.4	-	(6.0)	29.4
Taxation		(6.6)	-	-	(6.6)
Net profit after tax from continuing operations		28.8	-	(6.0)	22.8
Discontinued operations					
Net profit after tax from discontinued operations	9.1	-	13.5	6.0	19.5
Net loss after tax on disposal of discontinued operations	8.1	-	(18.6)	-	(18.6)
Net (loss)/profit after tax from discontinued operations		-	(5.1)	6.0	0.9
Net profit/(loss) before tax from all operations		35.4	(0.3)	-	35.1
Total taxation	4	(6.6)	(4.8)	-	(11.4)
Net profit/(loss) after tax from all operations		28.8	(5.1)	-	23.7
Attributable to:					
Equity holders of the parent					27.2
Minority interests – discontinued operations					(3.5)
					<u>23.7</u>
Earnings per share (all operations)					
Basic earnings per share	7	1.4p	0.2p	-	1.3p
Diluted earnings per share	7	1.4p	0.2p	-	1.3p
Continuing operations earnings per share					
Basic earnings per share					1.1p
Diluted earnings per share					1.1p

¹ The continuing operations column represents the continuing business of the Group before eliminations.

² The discontinued operations column represents the discontinued operations of Towry Law International, Towry Law UK and the Life Services business.

³ Eliminations represent the intra-group transactions between the continuing operations and discontinued operations of the Life Services business up to the date of its disposal on 13 April 2005. Since that date, the fee income eliminated as an intra-group transaction has been replaced by the income derived under the new investment management agreements with the Pearl Group. There are no eliminations necessary between Henderson Group plc, Towry Law International and Towry Law UK.

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

⁵ Restated to include fees payable against income in addition to commissions.

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For the half year ended 30 June 2006

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (AUDITED)

For the year ended 31 December 2005

	Notes	Continuing operations ¹ £m	Discontinued operations ² £m	Eliminations ³ £m	Total ⁴ £m
Income					
Gross fee income and commission receivable on sales		290.6 ⁵	-	(7.3)	283.3
Finance income		26.8	-	(2.1)	24.7
Total income		317.4	-	(9.4)	308.0
Commissions and fees payable against income		(43.4) ⁵	-	-	(43.4)
Net fee and commission income		274.0	-	(9.4)	264.6
Expenses					
Administration costs		(201.9)	-	0.4	(201.5)
Other charges		(5.1)	-	-	(5.1)
Total expenses		(207.0)	-	0.4	(206.6)
Finance costs		(3.6)	-	3.0	(0.6)
Net profit before tax from continuing operations		63.4	-	(6.0)	57.4
Taxation		(11.5)	-	-	(11.5)
Net profit after tax from continuing operations		51.9	-	(6.0)	45.9
Discontinued operations					
Net profit after tax from discontinued operations	9.1	-	14.4	6.0	20.4
Net (loss) after tax on disposal of discontinued operations	8.1	-	(18.6)	-	(18.6)
Net (loss)/profit after tax from discontinued operations		-	(4.2)	6.0	1.8
Net profit before tax from all operations		63.4	0.6	-	64.0
Total taxation	4	(11.5)	(4.8)	-	(16.3)
Net profit/(loss) after tax from all operations		51.9	(4.2)	-	47.7
Attributable to:					
Equity holders of the parent					51.2
Minority interests – discontinued operations					(3.5)
					<u>47.7</u>
Earnings per share (all operations)					
Basic earnings per share	7	3.2p	0.3p	-	3.1p
Diluted earnings per share	7	3.2p	0.3p	-	3.1p
Continuing operations earnings per share					
Basic earnings per share					2.8p
Diluted earnings per share					2.8p

¹ The continuing operations column represents the continuing business of the Group before eliminations.

² The discontinued operations column represents the discontinued operations of Towry Law International, Towry Law UK and the Life Services business.

³ Eliminations represent the intra-group transactions between the continuing operations and discontinued operations of the Life Services business up to the date of its disposal on 13 April 2005. Since that date, the fee income eliminated as an intra-group transaction has been replaced by the income derived under the new investment management agreements with the Pearl Group. There are no eliminations necessary between Henderson Group plc, Towry Law International and Towry Law UK.

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

⁵ Restated to include fees payable against income in addition to commissions.

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For the half year ended 30 June 2006

INTERIM CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE For the half year ended 30 June 2006

	6 months 30 Jun 2006 Unaudited £m	6 months 30 Jun 2005 Unaudited £m	12 months 31 Dec 2005 Audited £m
Exchange differences on translation of foreign operations	0.6	(0.1)	(1.5)
Translation reserve transfer on sale of available-for-sale financial assets	0.4	-	-
Revaluation reserve transfer on sale of available-for-sale financial assets	0.2	3.4	3.4
Gains/(losses) on revaluation of available-for-sale financial assets	6.1	(3.7)	(4.5)
Actuarial gains/(losses) on pension schemes	2.8	(11.1)	(10.8)
Tax (charge)/credit on items taken directly to equity	(0.8)	4.5	4.4
Net income/(expense) recognised directly in equity	9.3	(7.0)	(9.0)
Net profit after tax from all operations	35.5	23.7	47.7
Total recognised income and expense	44.8	16.7	38.7
Attributable to:			
Equity holders of the parent	44.7	20.2	42.2
Minority interests – discontinued operations	-	(3.5)	(3.5)
Minority interest – continuing operations	0.1	-	-
	44.8	16.7	38.7

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For the half year ended 30 June 2006

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Notes	30 Jun 2006 Unaudited £m	31 Dec 2005 Audited £m	30 Jun 2005 Unaudited £m
Assets				
Intangible assets		224.3	224.3	247.9
Investments accounted for using the equity method		2.3	2.0	-
Property, plant and equipment		7.4	8.3	12.1
Deferred tax assets		17.4	12.8	21.9
Available-for-sale financial assets		69.8	96.7	78.6
Financial assets at fair value through profit or loss		1.1	0.5	5.8
Deferred acquisition and commission costs		24.5	19.2	14.9
Trade and other receivables		153.5	95.7	148.3
Cash and cash equivalents		550.2	487.5	448.8
		1,050.5	947.0	978.3
Assets held in disposal groups held for sale		-	42.6	-
Total assets		1,050.5	989.6	978.3
Liabilities				
Borrowings		-	-	0.2
Retirement benefit obligations	6	42.8	45.6	51.1
Obligations under finance lease		-	-	1.2
Current tax liabilities		41.5	27.8	39.8
Provisions		59.4	66.5	75.5
Deferred income		26.4	22.0	21.7
Trade and other payables		199.6	163.9	169.0
		369.7	325.8	358.5
Liabilities included in disposal groups held for sale		-	16.7	-
Total liabilities		369.7	342.5	358.5
Net assets		680.8	647.1	619.8
Capital and reserves				
Share capital		115.5	115.5	115.3
Share premium reserve		367.5	367.2	366.7
Own shares held reserve		(8.6)	(4.1)	(13.7)
Translation reserve		(2.4)	(3.4)	(1.6)
Revaluation reserve		3.3	(3.0)	(2.2)
Profit and loss account reserve		205.4	174.9	155.3
Minority interest		0.1	-	-
Total equity	10	680.8	647.1	619.8

Approved by the Board of Directors on 24 August 2006.

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For the half year ended 30 June 2006

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the half year ended 30 June 2006

	6 months 30 Jun 2006	6 months 30 Jun 2005	12 months 31 Dec 2005
Notes	Unaudited £m	Unaudited £m	Audited £m
Cash flows from operating activities			
Net profit before tax from all operations	44.2	35.1	64.0
Adjustments to reconcile net profit before tax from all operations to net cash flows from operating activities:			
Depreciation and impairment of property, plant and equipment	1.7	3.2	5.3
Impairment of goodwill and other intangible assets	0.7	0.3	2.1
Amortisation of other assets	4.7	-	6.3
Deferred acquisition cost amortisation – continuing operations	(0.9)	4.9	7.8
Deferred acquisition cost amortisation – discontinued operations	-	7.6	7.7
Net (profit) arising from disposal of property, plant and equipment	-	-	(0.1)
Fair value (gains)/losses on financial assets	(12.2)	126.8	128.1
(Gains) from interests in associates	(0.7)	-	(0.5)
Movement in minority interest	(0.1)	-	-
Loan interest expense	-	24.5	24.5
Cash flows from operating activities before changes in operating assets and liabilities	37.4	202.4	245.2
Changes in operating assets and liabilities	(30.0)	(464.9)	(439.7)
Tax paid	(0.3)	(78.2)	(85.8)
Net cash flows from operating activities	7.1	(340.7)	(280.3)
Cash flows from investing activities			
Proceeds from sale or maturity of:			
Property, plant and equipment	-	0.7	0.7
Investment property	-	12.1	12.1
Debt or equity instruments and interests in joint ventures	44.4	3,542.8	3,545.2
Certificates of deposit	-	227.5	232.5
Mortgages and other loan repayments from other parties	-	221.2	221.2
Subsidiaries and associates	27.7	(3,266.6)	(3,260.0)
Purchases of:			
Property, plant and equipment	(0.6)	(3.1)	(3.4)
Investment property	-	(6.6)	(6.6)
Debt or equity instruments and interests in joint ventures	(7.1)	(2,834.5)	(2,864.6)
Certificates of deposit	-	(124.3)	(124.3)
Mortgages and other loans made to other parties	-	(1.0)	(1.0)
Acquisition of subsidiaries and associates net of cash acquired	-	-	(0.5)
Net cash flows from investing activities	64.4	(2,231.8)	(2,248.7)
Cash flows from financing activities			
Proceeds from issue of shares or other equity instruments	0.2	0.2	0.6
Dividends paid	3 (16.1)	-	-
Return of cash to shareholders	-	(775.3)	(775.3)
Reduction in investor base	-	(95.2)	(95.2)
Cash payments to owners to acquire or redeem own shares	-	(9.7)	(6.3)
Repayments of short and long-term borrowings	-	(221.9)	(222.1)
Amounts due to policyholders on unit-linked investments	-	690.7	690.7
Dividends paid to minority interests	-	(3.7)	(3.7)
Interest paid	-	(40.3)	(40.3)
Net cash flows from financing activities	(15.9)	(455.2)	(451.6)
Effects of exchange rate changes	(1.9)	0.7	1.3
Net increase/(decrease) in cash and cash equivalents	53.7	(3,027.0)	(2,979.3)
Cash and cash equivalents at beginning of period	496.5	3,475.8	3,475.8
Cash and cash equivalents at end of period	550.2	448.8	496.5

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**1 Corporate information**

Henderson Group plc (Company) is a public limited company incorporated and domiciled in England. The Company's ordinary shares are traded on the London Stock Exchange and CHESSE Depository Interests are traded on the ASX.

The interim condensed consolidated financial statements of the Company and its controlled entities (Group) for the six months ended 30 June 2006 were authorised for issue by the Board of Directors on 24 August 2006.

The results for the six months ended 30 June 2006 have been prepared on the basis of the accounting policies set out in the Henderson Group plc Full Annual Financial Report and Accounts for the year ended 31 December 2005. The results for the six months ended 30 June 2006 and the six months ended 30 June 2005 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 2005 have been taken from the Henderson Group plc Full Annual Financial Report and Accounts for the year ended 31 December 2005. The auditor has reported on the 2005 accounts and its report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Henderson Group plc Full Annual Financial Report and Accounts have been filed with the Registrar of Companies.

2 Basis of preparation and significant accounting policies**Basis of preparation**

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2005.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2005. However, performance fees receivable from funds and payable to fund managers have been shown gross in the interim condensed Consolidated Income Statement for the period to 30 June 2006, where previously they had been netted off. Comparatives have been restated.

3 Dividends

	30 Jun 2006	30 Jun 2005
	Unaudited	Unaudited
	£m	£m
<hr/>		
Dividends paid on ordinary shares:		
Interim dividend for 2006 in respect of 2005 year end profits: 1.39 pence (2004: nil)	(16.1)	-
Dividends declared on ordinary shares:		
Interim dividend for 2006: 0.88 pence (2005: nil)	(10.1)	-

In accordance with IFRS, dividends are recognised in the accounts in the year in which they are paid, or in the case of an interim dividend when approved by the Directors, such that the amount recognised in the 2006 interim condensed consolidated financial statements is made up of the 2005 final dividend (£16.1 million). The £10.1 million interim dividend declared by the Directors on 24 August 2006 will be reflected in the 2006 year end Full Annual Financial Report and Accounts.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4 Income tax expense

The major components of the income tax expense in the Consolidated Income Statement are:

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Current income tax expense:			
Current period	20.9	25.0	31.5
Prior period	(3.6)	8.1	(1.6)
Overseas	0.8	0.9	1.1
Deferred income tax relating to:			
Origination and reversal of temporary differences	(5.4)	(8.1)	(10.8)
Write downs of previous recognised tax assets	-	-	5.9
Previously unrecognised tax loss, tax credit or temporary difference of a prior period used to reduce:			
Current income tax expense	(4.0)	(4.8)	(9.8)
Deferred income tax	-	(9.7)	-
Total taxation reported in the Consolidated Income Statement	8.7	11.4	16.3

Reconciliation of income tax expense to standard rate of corporate tax:

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Net profit before tax from all operations	44.2	35.1	64.0
Tax at the applicable UK corporate tax rate of 30% (30 Jun 2005: 30%) on net profit before tax	13.3	10.5	19.2
The reconciliation of tax at the applicable UK corporate tax rate of £13.3 million (30 Jun 2005: £10.5 million) to the tax expense of £8.7 million (30 Jun 2005: £11.4 million) is as follows:			
Tax effect of expenses that are not deductible for tax purposes:			
Goodwill impairment	-	-	2.8
Other disallowable expenses	5.8	10.2	9.4
Other items:			
Tax attributable to policyholders	-	1.7	1.7
Tax effect of income that is not taxable	-	(2.1)	(2.3)
Disposal of discontinued operations	(2.8)	5.6	5.6
Adjustment for prior periods (current and deferred)	(3.6)	-	(7.4)
Lower tax rates on overseas earnings	-	-	(0.2)
Movement in unprovided deferred tax	-	(9.7)	2.4
Utilisation of previously unrecognised tax losses	(4.0)	(4.8)	(14.9)
Total taxation reported in the Consolidated Income Statement	8.7	11.4	16.3

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

5 Segmental information

5.1 Continuing operations

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

Management operates across product lines, distribution channels, and geographic regions. The Board considers that the risks and rewards to the business are not substantially different across the geographic regions in which Henderson operates so as to warrant separate disclosure. Core equities and fixed income, property, private equity and wholesale funds are sold in most, if not all, of these regions, and are managed in various locations. On this basis, Henderson considers itself to be a single segment investment management business.

5.2 Discontinued operations

On 3 May 2006, Henderson Group plc completed the sale of Towry Law UK and its controlled entities (Towry Law UK Group) to JS&P Holdings Limited. The results of the Towry Law UK Group have therefore been classified as discontinued operations.

Also included within discontinued operations are the profits/(losses) arising from the closure of Towry Law International, which occurred during 2004, and the Life Services business, which was sold during 2005.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

6 Retirement benefit obligations

Retirement benefit obligations recognised in the consolidated balance sheet

	30 Jun 2006	31 Dec 2005	30 Jun 2005
	Unaudited	Audited	Unaudited
	£m	£m	£m
Henderson Group Pension Scheme	37.7	40.1	44.1
Henderson Group unapproved pension schemes	5.1	5.5	7.0
	<u>42.8</u>	<u>45.6</u>	<u>51.1</u>

Pension expense recognised in the Consolidated Income Statement

	30 Jun 2006	30 Jun 2005	31 Dec 2005
	Unaudited	Unaudited	Audited
	£m	£m	£m
Henderson Group Pension Scheme	4.7	5.4	10.6
Henderson Group unapproved pension schemes	0.4	0.9	0.9
	<u>5.1</u>	<u>6.3</u>	<u>11.5</u>

The net liability in respect of post-retirement obligations, before any reduction for tax relief, was £42.8 million at 30 June 2006 (31 December 2005: £45.6 million). The movement in the net liability during 1H06 was principally due to:

- an increase in AA Corporate Bond rates at which liabilities are discounted, from 4.74% at 31 December 2005 to 5.20% at 30 June 2006; and an increase in the retail price index from 2.8% to 3.1%. The combined effect of this has been to decrease liabilities by £29.8 million; and
- a strengthening of the Scheme member longevity assumption following completion of the Scheme's triennial valuation by Watson Wyatt, which has increased liabilities by £25.1 million.

In conjunction with the proposed return of approximately £200 million surplus capital by the Group in October 2006, an agreement was reached with the trustees of the Scheme on 8 May 2006 for the Group to contribute £80 million over-and-above regular funding contributions. This special contribution is to be made in three instalments of £40 million, £20 million and £20 million in October 2006, 2007 and 2008 respectively.

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For the half year ended 30 June 2006

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7 Earnings per share

7.1 From all operations

7.1.1 Number of shares

	30 Jun 2006 Unaudited millions	30 Jun 2005 Unaudited millions	31 Dec 2005 Audited millions
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,154.7	2,128.7	1,641.2
Number of dilutive potential ordinary shares:			
- share options	2.6	6.4	3.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,157.3	2,135.1	1,644.2

7.1.2 Earnings

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to equity holders of the parent	35.4	27.2	51.2

7.1.3 Earnings per share

	30 Jun 2006 Unaudited pence	30 Jun 2005 Unaudited pence	31 Dec 2005 Audited pence
Basic	3.1	1.3	3.1
Diluted	3.1	1.3	3.1

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7 Earnings per share (continued)

7.2 From continuing operations before eliminations

7.2.1 Earnings

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Net profit attributable to equity holders of the parent	35.4	27.2	51.2
Adjustments to exclude net loss after tax from discontinued operations	2.1	5.1	4.2
Adjustment for net profit/(loss) after tax attributable to minority interests **	0.1	(3.5)	(3.5)
Earnings from continuing operations for the purpose of basic and diluted earnings per share excluding discontinued operations	37.6	28.8	51.9

7.2.2 Earnings per share

	30 Jun 2006 Unaudited pence	30 Jun 2005 Unaudited pence	31 Dec 2005 Audited pence
Basic	3.3	1.4	3.2
Diluted	3.2	1.4	3.2

7.3 From discontinued operations

7.3.1 Earnings

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Net (loss)/profit after tax from discontinued operations after eliminations	(2.1)	0.9	1.8
Adjustments to exclude net loss from discontinued operations attributable to minority interests	-	3.5	3.5
Earnings from discontinued operations for the purpose of basic and diluted earnings per share	(2.1)	4.4	5.3

7.3.2 Earnings per share

	30 Jun 2006 Unaudited pence	30 Jun 2005 Unaudited pence	31 Dec 2005 Audited pence
Basic	(0.2)	0.2	0.3
Diluted	(0.2)	0.2	0.3

** The profit after tax attributable to minority interests for the six months ended 30 June 2006 relates to continuing operations.

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For the half year ended 30 June 2006

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8 Disposals of subsidiaries

8.1 Profit/(loss) on disposal of discontinued operations

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Net profit/(loss) after tax on disposal of discontinued operations	9.4	(18.6)	(18.6)

The after-tax profit/(loss) recognised on disposal of discontinued operations is analysed as follows:

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Towry Law UK	9.4	-	-
Life Services business	-	(18.6)	(18.6)
	9.4	(18.6)	(18.6)

8.2 Towry Law UK

On 21 December 2005, Henderson Group plc announced an agreed sale of the Towry Law UK to JS&P Holdings Limited. Following regulatory approval, granted by the FSA, the disposal completed on 3 May 2006.

The transaction resulted in a post-tax profit on disposal of £9.4 million calculated as follows:

	Unaudited £m
Sale proceeds	37.2
Less: professional fees and other transaction costs	(1.6)
	35.6
Net assets disposed of	(26.1)
Pre-tax profit on disposal	9.5
Tax on disposal	(0.1)
Post-tax profit on disposal	9.4

Cash flow impact of the disposal of the Towry Law UK:

	Unaudited £m
Total proceeds from the sale	37.2
Less: cash and cash equivalents held by Towry Law UK entities	(9.9)
Net cash inflow on disposal	27.3

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8 Disposals of subsidiaries (continued)

8.2 Towry Law UK (continued)

Aggregate assets and liabilities of the Towry Law UK at the date of disposal:

	Unaudited £m
Assets	
Intangible assets	21.0
Property, plant and equipment	2.1
Trade and other receivables	8.4
Cash and cash equivalents	9.9
Total assets	41.4
Liabilities	
Provisions	3.8
Trade and other payables	11.5
Total liabilities	15.3
Net assets	26.1

9 Discontinued operations

9.1 Net (loss)/profit from discontinued operations

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Income			
Fee and commission income	12.4	90.7	109.5
Premiums written net of reinsurance	-	162.4	162.4
Finance income	0.1	386.9	387.1
Total income	12.5	640.0	659.0
Expenses			
Acquisition costs	-	(7.9)	(7.9)
Administration costs	(11.3)	(87.2)	(104.5)
Loss recognised on the remeasurement to fair value	(0.7)	-	-
Other charges	(12.0)	(2.1)	(2.8)
Total expenses	(24.0)	(97.2)	(115.2)
Expenses for policyholder claims and benefits (including change in insurance liabilities)	-	(216.7)	(216.4)
Claims recoveries from reinsurers	-	0.3	-
Change in investment contract provisions	-	(143.8)	(143.8)
Finance costs	-	(158.3)	(158.4)
Net (loss)/profit before tax from discontinued operations	(11.5)	24.3	25.2
Tax on the results of discontinued operations	-	(4.8)	(4.8)
Net (loss)/profit after tax from discontinued operations	(11.5)	19.5	20.4

Included within other charges for the half year ended 30 June 2006 is a £11.7 million charge relating to the crystallisation of non-tax warranties outstanding under the Life Services business sale agreement completed in 2005. Other than this charge, all operating profit for the half year ended 30 June 2006 related to the Towry Law UK and arose in the UK.

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For the half year ended 30 June 2006

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9 Discontinued operations (continued)

9.2 Discontinued income statement by business segment

For the half year ended 30 June 2005 (Unaudited)

	Life Services business £m	Towry Law UK £m	Discontinued operations £m	Eliminations £m	Total £m
Income					
Fee and commission income	71.1	19.6	90.7	-	90.7
Premiums written net of reinsurance	162.4	-	162.4	-	162.4
Finance income	386.8	0.1	386.9	-	386.9
Total income	620.3	19.7	640.0	-	640.0
Expenses					
Acquisition costs	(7.9)	-	(7.9)	-	(7.9)
Administration costs	(69.6)	(17.6)	(87.2)	-	(87.2)
Other charges	(1.6)	(0.5)	(2.1)	-	(2.1)
Expenses for policyholder claims and benefits	(216.7)	-	(216.7)	-	(216.7)
Claims recoveries from reinsurers	0.3	-	0.3	-	0.3
Changes in investment contract provisions	(143.8)	-	(143.8)	-	(143.8)
Total expenses	(439.3)	(18.1)	(457.4)	-	(457.4)
Finance costs	(158.3)	-	(158.3)	-	(158.3)
Net profit before tax from discontinued operations	22.7	1.6	24.3	-	24.3
Supplementary segment information					
Depreciation and amortisation of segment assets	(1.6)	(0.5)	(2.1)	-	(2.1)
Non-cash expenses other than depreciation - provisions	19.7	0.3	20.0	-	20.0

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9 Discontinued operations (continued)

9.2 Discontinued income statement by business segment (continued)

For the year ended 31 December 2005 (Audited)

	Life Services business £m	Towry Law UK £m	Discontinued operations £m	Eliminations £m	Total £m
Income					
Fee and commission income	71.1	38.4	109.5	-	109.5
Premiums written net of reinsurance	162.4	-	162.4	-	162.4
Finance income	389.8	0.3	390.1	(3.0)	387.1
Total income	623.3	38.7	662.0	(3.0)	659.0
Expenses					
Acquisition costs	(7.9)	-	(7.9)	-	(7.9)
Administration costs	(76.6)	(34.9)	(111.5)	7.0	(104.5)
Other charges	(1.6)	(1.2)	(2.8)	-	(2.8)
Expenses for policyholder claims and benefits	(216.4)	-	(216.4)	-	(216.4)
Changes in investment contract provisions	(143.8)	-	(143.8)	-	(143.8)
Total expenses	(446.3)	(36.1)	(482.4)	7.0	(475.4)
Finance costs	(160.3)	(0.1)	(160.4)	2.0	(158.4)
Net profit before tax from discontinued operations	16.7	2.5	19.2	6.0	25.2
Supplementary segment information					
Depreciation and amortisation of segment assets	(1.6)	-	(1.6)	-	(1.6)
Non-cash expenses other than depreciation - provisions	19.7	-	19.7	-	19.7

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For the half year ended 30 June 2006

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9 Discontinued operations (continued)

9.3 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 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Exchange differences on translation of foreign operations	-	(0.4)	(0.5)
Actuarial gains on pension schemes	-	0.2	0.2
Transfer to profit or loss on sale of available-for-sale financial assets	-	3.4	3.4
Total income recognised directly in equity	-	3.2	3.1

9.4 Cash flows from discontinued operations up to the date of disposal

	30 Jun 2006 Unaudited £m	30 Jun 2005 Unaudited £m	31 Dec 2005 Audited £m
Net cash flows from operating activities	1.0	(296.9)	(295.9)
Net cash flows from investing activities	(0.1)	819.7	818.8
Net cash flows from financing activities	-	630.9	630.9
Net cash inflow	0.9	1,153.7	1,153.8

10 Reconciliation of movement in equity

	30 Jun 2006 Unaudited £m	31 Dec 2005 Audited £m	30 Jun 2005 Unaudited £m
Equity at 1 January	647.1	1,892.3	1,892.3
Total recognised income and expense attributable to equity holders of the parent	44.7	42.2	20.2
Dividends paid and capital returned to shareholders	(16.1)	(870.5)	(870.5)
(Increase) in own shares held	(4.5)	(6.3)	(9.7)
Issue of shares for the Sharesave scheme	0.2	0.5	0.2
Movement in equity-settled share scheme expenses	9.3	6.2	4.6
Movement in minority interests	0.1	(417.3)	(417.3)
Equity at 30 June/31 December	680.8	647.1	619.8

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

11 Contingent liabilities

The following contingent liabilities existed at 30 June 2006:

- in the normal course of business, the Group is exposed to certain legal issues, which involve litigation and arbitration;
- in the normal course of business, the Group enters into various types of investment contracts that can give rise to contingent liabilities. These include foreign exchange contracts, financial futures, interest rate derivatives and exchange traded options. These contracts are entered into in the normal management of clients' investment portfolios;
- on 2 May 2006, the Hong Kong Securities and Futures Commission announced that it had reached a settlement with UKFP A HK (the main operating company of Towry Law International in Hong Kong) regarding the sale of Protected Growth Fund (PGF) and Gearing products. As at 30 June 2006, letters have been sent to PGF and Gearing investors and the settlement of claims has commenced. To date, all settlements have been in line with amounts provided in the accounts, and the Directors remain of the opinion that the provisions made are adequate;
- as previously announced, on 30 June 2006 Henderson entered into a number of new investment management agreements and other related agreements with the Pearl Group and associated companies. In particular, Henderson reached agreement with the Pearl Group that Henderson would make a payment to the Pearl Group of £11.7 million, in full and final settlement of all claims relating to non-tax warranties outstanding under the Life Services business sale agreement completed in 2005. This settlement was recognised as a creditor as at 30 June 2006 and subsequently settled in full on 11 July 2006; and
- under the Life Services business sale agreement, the time limit for tax related warranties and indemnities extends for approximately six years. Under the Towry Law UK sale agreement, certain warranties and indemnities were given by the Group which were subject to certain limitations. The Group has not, to date, been notified of any claims under these warranties and indemnities and has capital of £38 million earmarked (but not provided for) to cover any such claims should they arise.

12 Related party transactions

There have been no significant related party transactions within the Group during the six months to 30 June 2006. Transactions between the Company and its controlled entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

13 Post-balance sheet events

Share scheme purchases

In order to satisfy commitments made under various share incentive and remuneration schemes for employees, 14.8 million shares were acquired by the Group during July 2006 at an average price of 80.92 pence. 2.8 million of these shares were purchased as treasury shares, with the balance purchased through an employee benefit trust and held as own shares.

At 30 June 2006, the Directors interests in shares of the Company associated with their participation in the Long Term Incentive Plan (LTIP) are 7.2 million shares. This is the maximum which could vest under the scheme and is dependant on the performance of the Company. The terms of the LTIP are set out in the Report on Directors' Remuneration in the Henderson Group plc Full Annual Financial Report and Accounts for the year ended 31 December 2005.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

13 Post-balance sheet events (continued)

Proposed return of capital

The Group released a circular on 27 July 2006 setting out details of its proposed return of cash to shareholders and Notice of Extraordinary General Meeting. The Group proposes to return approximately £200 million surplus capital to shareholders by 24 October 2006 through the Return of Cash Proposal. For the proposed return of cash to proceed, it requires both shareholder and UK Court approval. To be approved at the Extraordinary General Meeting, the return of cash resolution requires at least 75% of the votes cast to be in favour.

Under this proposal, shareholders will receive cash in exchange for the cancellation of 22 out of every 100 shares they own on the record date (currently expected to be 13 October 2006) at 78 pence per share (or the A\$ or NZ\$ equivalent). This price was the average of the closing price of the Company's shares on the London Stock Exchange on the five business days ended 17 July 2006 (the last practicable date prior to publishing the circular).

2006 interim dividend

The Directors have declared an interim dividend in respect of the six months ended 30 June 2006 of 0.88 pence per ordinary share of 10 pence each of the Company (2005: nil). The record date is 13 October 2006 and the payment date will be the same as for the proposed return of capital, probably 24 October 2006.

Henderson Group plc has chosen to publish a half-yearly report (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 (Announcement of 2006 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 six months ended 30 June 2006 which comprises the Interim Summarised Consolidated Income Statement, Interim Summarised Consolidated Statement of Recognised Income and Expense, Interim Summarised Consolidated Balance Sheet, Interim Summarised Reconciliation of Movement in Equity and Interim Summarised Consolidated Cash Flow Statement. We have read the other information contained in the interim report 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 report, 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 report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) 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 2006.

Ernst & Young LLP
London
24 August 2006

Henderson Group plc

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For the half year ended 30 June 2006

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES

The total contribution to net profit after taxation attributable to equity holders of Henderson Group plc from controlled entities lost from the sale of the Towry Law UK Group is set out in notes 8 and 9 to the financial statements.

Controlled entities lost during first half 2006

Name of entity	Date of loss of control over entity
Liquidated:	
Akimbo Nominees Limited	28 February 2006
UKLS Investor 4 Limited	18 April 2006
Disposed of:	
Towry Law plc	3 May 2006
Towry Law Insurance Brokers Limited	3 May 2006
Towry Law Central Services Limited	3 May 2006
Towry Law Financial Services Limited	3 May 2006
Towry Law Trustee Company Limited	3 May 2006

DETAILS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATED ENTITIES

All significant joint ventures 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 equity holders of Henderson Group plc is reported within discontinued operations in notes 8 and 9 to the financial statements. Any remaining joint ventures and associated entities are considered immaterial to the Group.

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For the half year ended 30 June 2006

GLOSSARY

1H05

Six months ended 30 June 2005

2H05

Six months ended 31 December 2005

1H06

Six months ended 30 June 2006

2H06

Six months ended 31 December 2006

AUM

Assets Under Management

ASX

Australian Stock Exchange

Board

The board of Henderson Group plc

BIPRU

Prudential Sourcebook for Banks, Building Societies and Investment Firms

bps

Basis points

CDI

CHESS Depository Interest representing one ordinary share. These are quoted on the Australian Stock Exchange.

CDO

Collateralised Debt Obligations

CHESS

Clearing House Electronic Subregister System

Company

Henderson Group plc

Corporate

Henderson Group plc excluding its controlled entities

Cost to income ratio

Total expenses divided by total income

CRD

Capital Requirements Directive

Directors

The directors of Henderson Group plc

EU

European Union

FSA

Financial Services Authority

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For the half year ended 30 June 2006

Group

Henderson Group plc and its controlled entities

Henderson

Henderson Global Investors Limited and its controlled entities

Henderson Global Investors

Henderson Global Investors Limited and its controlled entities

Henderson Group

Henderson Group plc and its controlled entities

IFRS

International Financial Reporting Standards

IMAs

Investment Management Agreements

IPD

Investment Property Databank

ISA

Individual Savings Account

IT

Information technology

Life Services business

Comprised principally the life insurance and pension books of Pearl Assurance, London Life, NPIL and NPLL, and also includes the closed general insurance books of Pearl Assurance, the pension trustee business of Premier Pension Trustees Limited and the retirement services business operated by NPIL

London Life

London Life Limited

NPIL

NPI Limited

NPLL

National Provident Life Limited

OEIC

Open Ended Investment Company

PEP

Personal Equity Plan

Pearl Group

Pearl Group Limited

Scheme

The Henderson Group Pension Scheme

SIP

Share Incentive Plan

SFC

Hong Kong Securities and Futures Commission

Henderson Group plc

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Towry Law International

The international division (now closed) of Towry Law plc, comprising the main operating company in Hong Kong, UKFP (Asia) HK Limited

Towry Law UK

Towry Law plc and its controlled entities, which has now been sold to JS&P Holdings

UCITS III

Undertakings for Collective Investments in Transferable Securities III

UK or United Kingdom

The United Kingdom of Great Britain and Northern Ireland

UKFP A HK

UKFP (Asia) HK Limited, the main operating company of Towry Law International in Hong Kong (now closed)

US

United States of America

Virgin Money Group

Virgin Money Group Limited

Watson Wyatt

Watson Wyatt Worldwide, Inc.