

**2007 FULL YEAR RESULTS**

27 February 2008

**Financial highlights**

	<b>12 months to 31 December 2007</b>	<b>12 months to 31 December 2006</b>	<b>Change</b>
Earnings per share <sup>1</sup>			
Basic, continuing operations	11.7p	6.4p	+83%
Basic, all operations	16.4p	5.6p	+193%
Diluted, all operations	15.6p	5.5p	+184%
Total ordinary dividend per share <sup>2,3</sup>	6.1p	3.15p	+94%
Return on equity <sup>4</sup>	23%	13%	10 pts improvement
Operating profit before tax			
Group, continuing operations excluding non-recurring items	£106.7m	£82.2m	+30%
Group, all operations including non-recurring items	£147.2m	£72.4m	+103%
Henderson Global Investors	£109.6m	£81.1m	+35%
Operating profit after tax			
Group, all operations including non-recurring items	£132.2m	£61.2m	+116%
Henderson Global Investors cost to income ratio	67.5%	72.6%	5.1pts improvement
Assets under management (AUM)	£59.2bn	£61.9bn	(£2.7bn)

<sup>1</sup> Based on the weighted average number of shares in issue less the weighted average number of own shares held during the accounting period.

<sup>2</sup> 2007 final dividend of 4.44 pence per ordinary share recommended, subject to shareholder approval at Annual General Meeting on 1 May.

<sup>3</sup> 2007 total dividend equivalent to 50% of net profit after tax before non-recurring items.

<sup>4</sup> Before tax from continuing operations excluding non-recurring items.

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## **Key developments**

- £1 billion net inflow into higher margin products.
- Total fee margin 53bps (2006: 44bps) and management fee margin 42bps (2006: 34bps) on average AUM.
- Satisfactory investment performance with 58% (2006: 63%) of funds by value beating their benchmarks.
- Debt issuance of £175 million in May 2007 with 9 times interest cover.
- Share consolidation and special dividend paid in October 2007, £250 million, equivalent to 27.6 pence per share.
- Henderson Global Investors cost to income ratio target of below 65% in 2008.

## **Comments from Chief Executive, Roger Yates**

“We delivered solid growth in profits in 2007, reflecting strong improvements in our fee margins and in our cost to income ratio. In turn, these helped generate a significant improvement in return on equity and allowed us to pay a substantially higher dividend.

Our main objectives in 2007 were to improve investment performance, to continue to grow our higher margin businesses, to deliver a 70% cost to income ratio in Henderson Global Investors (Henderson) and to make the Henderson Group (Group) balance sheet more efficient. We achieved good progress against these objectives:

- Generally satisfactory investment performance was offset towards the end of the period by market turbulence. This volatility has persisted to date in 2008, creating a more challenging environment in which to deliver investment returns to clients;
- Given these market conditions, we were pleased to win £1 billion of net new higher margin business in 2007, including particularly strong flows into our US Wholesale fund range;
- Henderson’s cost to income ratio for the year of 67.5% comfortably beat our target; and
- We believe our debt raising last May was both well timed and well priced.

These strong results are testament to our product diversity which should stand us in good stead in more challenging markets.”

## **Group result**

Operating profit before tax from continuing operations, excluding non-recurring items, was £106.7 million in 2007, up 30% from 2006. Operating profit after tax from all operations, including non-recurring items, was £132.2 million in 2007, an increase of 116% compared with 2006. The 2007 tax charge for the Group comprised a £12.4 million charge on continuing operations and a £2.6 million charge on non-recurring items. The effective tax rate for all operations, excluding non-recurring items, was 11.7% (2006: 14.9%) and including non-recurring items was 10.2% (2006: 15.5%).

We expect the effective tax rate on continuing operations, excluding non-recurring items, to remain between 10% and 15% in 2008, reverting closer to the statutory rate in 2009 or 2010. The lower effective rate in 2007 was due to the utilisation of previously unrecognised deferred tax assets and greater clarity on the level of tax provisioning required for prior years.

### **Henderson Global Investors result**

Operating profit before tax from Henderson was £109.6 million – up 35% from £81.1 million in 2006, due to higher management and net performance fee income coupled with slower cost growth.

Management fee income increased 17% to £258 million in 2007, primarily as a result of improved fee margins on average assets under management (AUM) and mainly positive market movements. The largest contributors to this increase included Wholesale, Property, Private Equity and Hedge funds.

Transaction fees decreased by 28% to £17.8 million in 2007, mostly due to a slower pace of investment in Property. Net performance fees increased by 34% to £50.1 million in the same period and came from a range of products, with Property, Hedge funds and Investment Trusts being the largest contributors.

As a result of higher management and net performance fees, total fee income in 2007 increased to £325.9 million, up 15% from £283.1 million in 2006.

Continued growth in higher margin products and outflows from the lower margin areas of our business resulted in a more profitable product mix. The total fee margin on average AUM increased from 44bps in 2006 to 53bps in 2007. Management fee margin on average AUM rose from 34bps in 2006 to 42bps in 2007. Net margin increased from 12bps in 2006 to 18bps in 2007.

Investment income declined 9%, from £12.6 million in 2006, to £11.5 million in 2007. This was mostly due to lower activity levels in Henderson's seed investment portfolio during 2007 compared to 2006.

Total operating expenses increased by 6% to £225.3 million in 2007. Savings in investment administration, IT and office expenses were offset by increases in variable staff and other expenses including the impairment of a seed investment and additional provisioning. Fixed staff costs were slightly lower than last year due to management actions on pension costs, whereas variable staff costs increased in line with improved operating performance during the period.

Overall, the increase in total income exceeded the higher costs in 2007, resulting in an improvement in the cost to income ratio to 67.5% from 72.6% in 2006.

Total AUM declined to £59.2 billion at 31 December 2007 compared to £61.9 billion at 31 December 2006. Net inflows into higher margin business totalled £1 billion and comprised: US Wholesale funds (£1.4 billion), Property (£0.9 billion) and Hedge funds (£0.1 billion), partially offset by net outflows from CDOs (£0.9 billion) and UK and European Wholesale funds (£0.5 billion). The outflow from CDOs occurred in the first half of 2007 and represented redemptions by noteholders at above par value for which

we received make-whole management fees. The net outflow from UK and European Wholesale funds was mostly due to profit-taking in property securities in the Horizon fund range. AUM in property securities declined from £2.0 billion at the start of 2007 to £1.1 billion at 31 December 2007.

Net outflows from lower margin business in 2007 comprised Institutional (£2.2 billion) and Pearl Group (Pearl, £4.1 billion). As previously announced, the sub-advisory agreement with Banca Popolare Italiana (BPI) expired at the end of 2007 and a £0.9 billion outflow relating to this is included in net Institutional outflows. Also, as previously flagged, Pearl gave notice in 2007 of its intention to withdraw £9 billion of assets and the Pearl Staff Pension Scheme, an Institutional client, gave notice of its intention to withdraw £1.8 billion from Henderson. We expect most of the £9 billion of assets will be withdrawn in the first half of 2008 and the Pearl Staff Pension Scheme mandate will transfer to Pearl on 29 February 2008. As previously stated, the investment management and other related agreements, entered into with Pearl in June 2006, allow Pearl flexibility to withdraw and/or re-allocate its assets. As such, we cannot predict movements in Pearl funds. However, if actual fees fall below certain thresholds, Pearl has agreed to make compensation payments to Henderson to make good the shortfall, until April 2015. The Pearl fund outflows referred to above, therefore, will not have a material impact on Henderson's future revenues.

There were favourable market and foreign exchange rate movements in 2007 AUM of £2.6 billion.

Henderson's investment performance over the last three years is generally satisfactory. In Listed Assets, which comprises our Equity and Fixed Income business, 54% of funds by value beat their benchmark in the three year period. Over one year, 57% of Listed Asset funds by value beat their benchmark. The external validation in 2007 of our investment process was strong as evidenced by the increased ratings of our fund managers (from three to seven) and of our funds by third party assessors. Investment performance in our US Property business remains excellent with 76% and 100% of funds achieving or beating their benchmarks over one and three years respectively. In Pan-European Property, we expect to retain a strong three year performance track record, pending publication of peer group benchmarks in the next month or so.

### **Profit protection**

Our goal for 2008 is to meet or beat Henderson Global Investors' 2007 operating profit before tax. This may be achieved through a combination of management fee growth and continued cost management, assuming markets recover; or through cost reduction, if markets remain subdued.

We have already taken some measured action in this regard, namely headcount and related restructuring which should generate £20 million of savings in 2008, before a restructuring charge of approximately £2.5 million pre-tax. This has been done without cutting any of our investment capabilities.

In addition, we have identified a further £10 million of non-staff costs that could be removed from our cost base if markets stay subdued. Further savings are also achievable in variable staff costs, depending on future market levels.

The variability of our cost base is an important advantage in tougher markets and we are reasonably confident, therefore, of delivering a cost to income ratio for Henderson Global Investors of below 65% in 2008.

### **Corporate result**

Corporate costs amounted to £9.1 million in 2007, £2.4 million lower than 2006 due to one-off legal and professional expenses of £2 million incurred in that year. We currently expect Corporate costs in 2008 to be similar to those of 2007.

Corporate net interest declined to £6.2 million in 2007, from £12.6 million in 2006. Interest income earned on Corporate cash was lower than the year before due to lower cash balances, following recent cash returns to shareholders, but offset the interest expense paid on the debt we raised in May. We expect Corporate net interest to comprise mainly debt servicing costs in 2008 and it will turn negative, therefore; approximately £10.5 million before tax relief (compared to previous guidance of £12 million), assuming an interest rate of 6%.

### **Banco Popolare Gruppo Bancario (BP)**

The merger of BPI and Banco Popolare di Verona e Novara, to create BP, completed on 1 July 2007. This transaction crystallised a net gain on our investment in BPI of £31.8 million in the first half of 2007, of which £16.3 million was received in cash by way of a special dividend. The investment gain has been recognised in the Group's income statement as a non-recurring item.

Subsequent market conditions and BP stock-specific developments in the second half of 2007 contributed to a fall in the BP share price. The loss in value of our BP investment has been accounted for in the consolidated statement of recognised income and expense and balance sheet. We will continue to hold this investment for the time being.

As mentioned above, the sub-advisory agreement with BPI expired at the end of 2007, resulting in fund outflows of £0.9 billion. Nevertheless, we have retained a distribution agreement with BP for higher margin Horizon funds (AUM: £0.2 billion at 31 December 2007).

### **Pension schemes**

There was a net surplus in the Group's main staff pension scheme, before deferred tax provisions, of £62.3 million at 31 December 2007 (31 December 2006: £5 million net liability). This favourable development was principally due to:

- changes in service benefits with effect from 1 April 2007 (which resulted in a non-recurring pension scheme credit of £8.7 million in the 2007 income statement);
- increased returns on investments in 2007, driven by the £60 million special contributions made in 2006/2007 in line with previous guidance; and
- a 0.7% increase in the AA corporate bond discount rate used to value pension liabilities for accounting purposes.

## **Balance sheet and return of cash**

The Group improved the efficiency of its balance sheet during 2007, raising £175 million of senior debt in May 2007 and returning a further £250 million of cash to shareholders by way of a special dividend in October 2007.

The initial interest coupon on the debt was fixed and has been swapped into a variable rate to take advantage of falling interest rates and align more closely with the return from the Group's cash balances. Interest cover remains high at 9 times.

With the most recent cash return of £250 million, the Group has returned a total of £1.3 billion to shareholders since May 2005, in addition to regular dividends. Although the balance sheet remains strong, our current position is that further cash surpluses will be reinvested in the business for growth.

## **Final dividend**

The Directors have recommended an ordinary dividend in respect of the six months ended 31 December 2007 of 4.44 pence per share. We plan to pay the dividend on 30 May 2008 to shareholders on the register on 9 May 2008. This takes the total ordinary dividend for 2007 to 6.1 pence per share, equivalent to 50% of net profits after tax before non-recurring items, an increase of 94% on the prior year.

We started paying dividends in 2006 and have aimed for a dividend cover of approximately two times. The Board will review this policy in 2008, with a view to increasing the pay-out ratio prudently in the next few years.

## **Outlook**

Our diversity is a source of strength and the business is in good shape to withstand a sustained period of market weakness. Markets may move higher from current levels, but our current planning assumes that they do not. In addition, we are assuming that retail investor confidence remains fragile, leading us to be cautious about net flows into our Wholesale funds in 2008. Offsetting this, we see opportunities in the institutional market, in particular, further growth in our Property business, where our focus will be on investing pipeline commitments of £2.3 billion as at 31 December 2007, and Institutional business, where we have won £0.6 billion of new business since the start of the year.

Our primary focus will continue to be on profitable organic growth, but we also believe that, in more difficult markets, we are in a good position to capitalise on other opportunities. We are actively looking for those opportunities where we can lift out teams or make bolt-on acquisitions that meet our criteria.

We expect to continue earning transaction and performance fees in 2008, although we do not currently anticipate the same level of fees in 2008 as in recent years. We currently expect transaction and net performance fees of approximately £30 million in 2008. Our goals for 2008 are to meet or beat Henderson Global Investors' 2007 operating profit before tax and to deliver a Henderson Global Investors cost to income ratio of below 65%.

**Approved by the Board of Directors on 26 February 2008.**

### **Forward-looking statements**

This announcement contains forward-looking statements with respect to the financial condition, results and business of Henderson Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Henderson Group's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

**For further detail on the 2007 full year results, please see the Australian Securities Exchange (ASX) Appendix 4E lodged together with this announcement.**

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### **Details of market briefings: Wednesday, 27 February 2008**

For a telephone link to the briefing, dial one of the following numbers 5 to 10 minutes prior to the start of the call:

Conference title	Henderson Group, full year results market briefing
Chairperson	Roger Yates

9.00am (London time)/8.00pm (Sydney time)

From	
United Kingdom	0500 5510 88 (free call)
Australia	1800 9890 15 (free call)
All other countries	+44 (0)20 7162 0125 (this is not a free call)

Replay number	
From	
United Kingdom	0800 3581860 Access code: 783459
Australia	+61 (0)2 82239748 Access code: 783459 (available from 27 February to 5 March 2008)

Alternatively, you can listen to a live audiocast of the briefing. To listen to the briefing, go to [www.henderson.com](http://www.henderson.com) and click on the relevant link on the home page.

## **Notes to editors**

### **About Henderson Group plc**

Henderson Group plc (Henderson Group or Group) is the holding company of the investment management group Henderson Global Investors (Henderson). Henderson Group is headquartered in London and since December 2003 has been dual-listed on the London Stock Exchange and ASX. Henderson Group is a constituent of the FTSE 250 and S&P/ASX 200 indices.

Established in 1934, Henderson is a leading independent global asset management business. Henderson provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. Henderson is one of Europe's largest investment managers, with £59.2 billion of AUM (as at 31 December 2007) and employs around 980 people worldwide.

### **About CHESSE Depository Interests**

In this announcement, the term "shareholders" refers to all holders of Henderson Group plc shares, including those whose holdings are in the form of CHESSE Depository Interests on the ASX.

CHESSE Depository Interests, or CDIs, are a way of allowing securities of foreign companies to be traded on the ASX. CDIs afford shareholders all the same direct economic benefits as ordinary shares, like the right to dividends and the right to participate in rights offers.

### **Further information**

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