

**2008 FULL-YEAR RESULTS**

26 February 2009

**Financial highlights**

	<b>12 months to 31 December 2008</b>	<b>12 months to 31 December 2007</b>
Earnings per share		
Basic, before non-recurring items <sup>1</sup>	10.8p	11.7p
Basic, after non-recurring items <sup>1,2</sup>	(3.2p)	16.4p
Diluted, before non-recurring items	10.0p	11.1p
Diluted, after non-recurring items <sup>2</sup>	(3.2p)	15.6p
Total ordinary dividend per share	6.1p	6.1p
Return on equity <sup>3</sup>	29%	23%
Profit/(loss) before tax		
Group, before non-recurring items	£80.3m	£106.7m
Group, after non-recurring items	(£17.0m)	£147.2m
Profit before tax		
Henderson Global Investors	£99.7m	£109.6m
(Loss)/profit after tax		
Group, after non-recurring items <sup>2</sup>	(£20.8m)	£132.2m
Henderson Global Investors cost to income ratio	63.4%	67.5%
Assets under management ('AUM') <sup>4</sup>	£49.5bn	£59.2bn

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

<sup>2</sup> Includes non-recurring costs in FY08 and non-recurring gains in FY07.

<sup>3</sup> Before tax and non-recurring items.

<sup>4</sup> £9.7 billion decline in AUM from 31 December 2007 to 31 December 2008 due to £6.7 billion net fund outflows from Pearl, £5.9 billion unfavourable market and foreign exchange rate movements, partly offset by net fund inflows from other clients of £2.9 billion.

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### **2008 highlights**

- Henderson Group plc ('Henderson Group' or 'Group') profit before tax and non-recurring items of £80.3 million.
- Henderson Global Investors ('Henderson') profit before tax of £99.7 million.
- Henderson operating costs down 24%.
- Henderson cost to income ratio 63.4% (FY07: 67.5%).
- £2.9 billion net fund inflows (excluding Pearl).
- Total dividend of 6.1 pence per share maintained.
- Three-year investment performance remains competitive in most areas.

### **Comments from Chief Executive, Andrew Formica**

"This is the first set of results I am reporting on since becoming Chief Executive in November last year.

In 2008, global equity markets suffered one of their worst years on record. The property sector saw valuations fall in the early months of the year and remained under pressure throughout. In contrast government bond markets performed well, supported by investors seeking a safe haven, against a backdrop of falling interest rates. Corporate bonds however fared particularly poorly as actual and potential defaults by investment grade entities generally pushed bond prices to much lower levels.

Given these factors, Henderson's AUM proved resilient.

Presently market levels are significantly below the average levels of 2008 and we expect this situation to persist in the short to medium-term. Therefore, 2009 is likely to be more challenging for earnings than 2008. However, our competitive long-term investment performance, diversity of revenues and active cost management should provide some support.

We remain committed to providing clients with higher value-add investment products in all market conditions. Although our future focus will be on generating profitable organic growth, prevailing markets offer other opportunities, at attractive prices for our shareholders, to extend Henderson's product offering and increase market share. The recent partial acquisition of Attunga and the lift-out of the Fortis currency team, together with the proposed acquisition of New Star Asset Management Group PLC ('New Star'), all fit with our strategy and financial criteria. The proposed acquisition of New Star is on track and expected to complete in early April.

Overall, the Group remains in satisfactory shape despite the economic climate."

**Group result**

Group profit before tax and non-recurring items amounted to £80.3 million in 2008, down 25% from 2007. This decline was largely due to interest costs in 2008 associated with the debt raised in May 2007 and lower transaction and net performance fees in Henderson, partly offset by a significant reduction in operating costs.

The Group made a loss after tax and non-recurring items of (£20.8) million in 2008 (2007: £132.2 million profit), due to certain non-recurring expenses and impairment charges compared to some one-off gains in the prior year.

Tax in 2008 consisted of a £8.6 million charge on recurring operations and a £4.8 million credit on non-recurring items. The effective tax rate for all operations was 10.7% (FY07:11.7%).

**Henderson result**

Operating profit before tax for Henderson was £99.7 million in 2008, 9% lower than 2007. Management fee income decreased by 14% to £221.9 million in 2008, mostly due to lower average market levels.

Transaction fee income decreased by 7% to £16.5 million in 2008, largely due to a slower pace of investment in Property. Net performance fees were £19.4 million in 2008, £30.7 million or 61% lower than in 2007. Net performance fees continue to be sourced from a range of products, with Hedge funds, Property and Institutional being the largest contributors in 2008.

As a result of lower management, transaction and net performance fees, total fee income in 2008 decreased to £257.8 million, down 21% from £325.9 million in 2007.

Investment income increased 28%, from £11.5 million in 2007 to £14.7 million in 2008. This was mostly due to income from seed investments and better returns on cash balances held in Henderson.

Operating costs decreased by £54.9 million or 24%, from £225.3 million in 2007 to £170.4 million in 2008. This was the result of savings in most expense categories, including a £43 million or 28% decline in staff costs, mainly due to lower variable pay in line with the weaker revenue environment.

Total expenditure, including depreciation and amortisation charges, declined by 24% from £227.8 million in 2007 to £172.8 million in 2008.

Overall, the decline in total income was offset by lower expenditure, resulting in an improvement in the cost to income ratio from 67.5% in 2007 to 63.4% in 2008.

Average management fee margins declined from 42.2bps of AUM in 2007 to 41.3bps in 2008, due to inflows into our Institutional business, mostly lower margin fixed income and cash funds. The net margin on average AUM improved to 18.6bps in 2008, compared to 17.9bps in 2007, due to the benefits of cost reduction.

## Summary of movements in AUM

	Opening AUM 1 Jan 2008 £bn	Net flows 1 Jan – 31 Dec 2008 £bn	Market/FX 1 Jan – 31 Dec 2008 £bn	Closing AUM 31 Dec 2008 £bn
<b>Higher margin</b>				
- Investment trusts	4.3	(0.3)	(1.3)	2.7
- Horizon funds	3.5	(0.5)	(0.7)	2.3
- UK Wholesale	3.8	(0.1)	(0.6)	3.1
- US Wholesale	3.5	(0.4)	(0.8)	2.3
- Hedge funds	1.2	(0.4)	-	0.8
- Property (UK/Europe)	7.4 <sup>1</sup>	0.8	(0.6)	7.6
- Property (US)	1.3	0.1	0.3	1.7
- Private Equity	1.1	-	0.1	1.2
- Structured products	1.8	-	0.4	2.2
	<b>27.9</b>	<b>(0.8)</b>	<b>(3.2)</b>	<b>23.9</b>
<b>Lower margin</b>				
Institutional	11.7	3.7	(1.3)	14.1
<b>Total AUM ex Pearl</b>	<b>39.6</b>	<b>2.9</b>	<b>(4.5)</b>	<b>38.0</b>
Pearl	17.7	(4.9)	(1.3)	11.5
Pearl staff pension scheme	1.9 <sup>2</sup>	(1.8)	(0.1)	-
<b>Total</b>	<b>59.2</b>	<b>(3.8)</b>	<b>(5.9)</b>	<b>49.5</b>

<sup>1</sup> £0.2 billion previously included in 31 December 2007 disclosure now included in Pearl staff pension scheme.

<sup>2</sup> Includes £0.2 billion of Property (UK/Europe).

AUM declined by 16% from £59.2 billion at 31 December 2007 to £49.5 billion at 31 December 2008. Net fund inflows of £2.9 billion, predominantly into our Institutional and Property divisions, were offset by net fund outflows of £6.7 billion from Pearl which, coupled with unfavourable market and foreign exchange rate ('FX') movements of £5.9 billion, brought total AUM to £49.5 billion at 31 December 2008.

We experienced net outflows from the run-off of Pearl's closed life books during 2008 of £4.9 billion. We continue to manage £11.5 billion of assets for Pearl, including £4.7 billion under notice of withdrawal on a care and maintenance basis.

The investment management and other related agreements, entered into with Pearl in June 2006, allow Pearl flexibility to withdraw and/or reallocate 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 movements mentioned above, therefore, do not have any material impact on Henderson's future revenues.

As previously announced, the Pearl staff pension scheme withdrew its mandate at the start of 2008, resulting in a revenue loss of approximately £2 million per annum.

### **Investment performance**

Short-term investment performance in a number of our funds was negatively affected by market volatility. However, our three-year investment performance in most areas remains competitive.

In Listed Assets, made up of our Equities and Fixed Income business, 49% of funds beat their benchmark over one year and 56% over three years. Fixed Income performance was strong and resulted in Henderson winning significant new business in the year. Equity performance, although disappointing in some areas, remains generally competitive and we are positioned to attract fund flows once investor demand returns.

The US Wholesale fund range has maintained its good track record with over 85% of assets outperforming over one and three years. Similarly, the Horizon SICAVs delivered strong performance, with 72% of assets beating target over one-year and 82% over three years. UK Wholesale, notably fixed income, continued to perform well in 2008 with 46% of assets outperforming over one year and 72% over three years.

Our Hedge fund and Enhanced index ranges experienced a challenging year, which impacted negatively on their three-year track records. Whilst much of the under performance was due to exceptional market conditions, action has been taken to improve future performance.

In Pan-European Property, the performance track record is pending publication of the IPD Annual Benchmarks next month. The 2008 score for funds with market or peer group benchmarks is expected to be around 50% although, due to the impact of market conditions on absolute return funds, overall performance is expected to be around 21% of funds achieving/beating their benchmarks, which would bring the three-year track record to around 50%.

### **Corporate result**

Corporate costs were £7.7 million in 2008, £1.4 million or 15% lower than in 2007. We expect Corporate costs in 2009 to remain at a similar level.

Corporate net interest expense was £11.7 million in 2008, compared with Corporate net interest income of £6.2 million in 2007, due to the introduction of a prudent level of gearing in May 2007 and the payment of a special dividend to shareholders in October 2007.

In December 2008 we reverted to a fixed servicing cost of 6.5% or approximately £11.4 million per annum on the Corporate debt. This was after unwinding an interest rate swap on the debt at a profit before tax of £12 million. The bulk of this profit will now be released over the remaining term of the debt, approximately three and a half years, reducing Corporate interest expense by c.£3 million per annum (see below).

## Non-recurring items before tax

	FY08 £m	FY07 £m
Profit on interest rate swap	1.5	-
Adjustments to Banco Popolare Gruppo Bancario ('BP') stake	(68.8)	31.8
Impairment of an investment in a Henderson structured product	(7.2)	-
Restructuring costs	(15.7)	-
Scheme of arrangement ('Scheme') costs	(4.5)	-
Third party administration review costs	(2.6)	-
Henderson Group Pension Scheme past service credit	-	8.7
<b>Total non-recurring items before tax</b>	<b>(97.3)</b>	<b>40.5</b>

### ***Profit on interest rate swap***

As referred to above, the Group has realised a profit of £12 million on unwinding an interest rate swap on its debt. The accounting treatment of this profit is now, as follows: £1.5 million profit, recognised in the 2008 income statement as a non-recurring item, being the realised fair value movement on the swap instrument on unwinding; and £10.5 million profit, recognised in income statements over the remaining life of the debt as a credit to Corporate net interest, being the fair value adjustment to the debt instrument under hedge accounting principles.

### ***Investments***

The Group booked a non-recurring accounting gain on its equity stake in BP of £31.8 million in its 2007 income statement. During 2008, the Group disposed of approximately 20% of its total holding in BP, realising a loss on disposal of £8.8 million, which appears in the Group's 2008 income statement as a non-recurring item. As previously guided, the balance of this investment has been impaired to its market value at 31 December 2008, in accordance with International Financial Reporting Standards, which has resulted in a charge against profit of £60 million. This charge appears in the Group's 2008 income statement as a non-recurring item; £39.1 million of it had already been recognised in Group reserves through mark-to-market accounting at 30 June 2008.

The Group also holds a portfolio of investments in Henderson products. The value of one holding, an equity position in a Henderson structured product, has been adversely affected by the deterioration in credit markets and has been impaired to zero at 31 December 2008. This impairment has resulted in a charge to profit of £7.2 million and appears in the Group's 2008 income statement as a non-recurring item.

The Board remains comfortable with the current carrying value of all other investments held by the Group.

### ***Restructuring costs***

As previously reported, management undertook a headcount and related restructuring programme at the start of 2008 and incurred a charge of £2.5 million pre-tax in the first half of 2008. Management significantly extended this restructuring programme in the second half of 2008, incurring an additional charge of £13.2 million. The number of Group full-time employees decreased during the year by 9% from 946 to 863 at 31 December 2008 and fell further to 841 at 31 January 2009. Management expects to achieve a one-year pay back on this restructuring programme, without impairing

Henderson's core investment capabilities and client service levels. These charges have been disclosed as a non-recurring item in the Group's 2008 income statement.

***Third party administration review costs***

We recently completed a review of most of our third party investment administration arrangements. As previously guided, the costs of this review amounted to £2.6 million in 2008.

The primary goal of the review was to improve the overall service quality for our clients, whilst taking into account market developments in the past 12 months, as well as our future servicing needs. We have awarded our existing partner, BNP Paribas Securities Services, a new contract for investment operations that enhances our relationship with them, provides a full range of investment operations services and offers global access to BNP Paribas' customers for Henderson.

***Scheme of arrangement costs***

The costs of implementing the Scheme were, as previously disclosed, approximately £4.5 million and have been reflected as a non-recurring item in the Group's 2008 income statement.

**Effective tax rate**

The Group's effective tax rate on recurring operations in 2008 was 10.7%, within previous guidance of between 10% and 15%.

As a result of the Scheme, which became effective on 31 October 2008, the Board expects the Group to achieve an effective corporate tax rate of approximately 20% per annum from 2009 onwards.

**Balance sheet**

The Group's balance sheet remains strong with good liquidity. It comprised total net assets of £293 million, including cash balances of £152 million, at 31 December 2008.

**Share placing**

The Group placed 72,324,352 new Henderson Group ordinary shares with institutional and other investors on 30 January 2009. The placing raised gross proceeds of approximately £47 million before expenses of £1.3 million. The Group intends to use the net proceeds of the placing, together with existing internal cash resources, to finance the cash consideration payable under the terms of the proposed acquisition of New Star. If the acquisition does not complete, then the Group will retain the proceeds for general corporate purposes.

The placing represented approximately 9.99% of Henderson Group's issued share capital prior to the placing. The placing shares rank pari passu in all respects with the existing ordinary shares of 12.5p each in the capital of Henderson Group, including in relation to the recommended final dividend of 4.25 pence per share to be paid in respect of the year ended 31 December 2008.

**Proposed acquisition of New Star**

We announced the proposed acquisition of New Star on 30 January 2009. This proposed acquisition remains subject to a number of approvals, including regulatory and shareholder approval. Full details of the offer to New Star shareholders are expected to

be published on 11 March 2009, and Henderson Group shareholders will have the opportunity to vote on the proposed acquisition at a general meeting expected to be held on 2 April 2009. Subject to approvals, the acquisition is expected to complete in early April 2009.

#### **Board of Directors**

The 2009 Annual General Meeting ('AGM') will be our first AGM since the Scheme became effective. Therefore, the Directors will be retiring and seeking reappointment at the AGM. The one exception is Anthony Hotson, who will be standing down as a Non-Executive Director at that time. Anthony has been a Director for more than six years and we thank him for the thoughtful advice he has given to Henderson Group over that period. We wish him well for the future.

#### **Dividends**

The Board is recommending a final dividend for 2008 of 4.25 pence per share, which will bring the total dividend for 2008 to 6.1 pence per share, the same as the total dividend paid for 2007. The proposed final dividend will be paid on 29 May 2009 to shareholders on the register on 8 May 2009.

**Approved by the Board of Directors on 25 February 2009.**

#### **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.

**For further detail on the 2008 full-year results, please see the Preliminary Final Report (ASX Appendix 4E), lodged together with this announcement.**

**Number of shares for earnings per share (EPS) calculations**

<b>FY08</b>		<b>FY08</b>	
<b>Basic EPS calculation</b>	No. (millions)	<b>Diluted EPS calculation</b>	No. (millions)
Issued share capital	725.0	Shares for basic EPS calculation	660.6
Less: treasury shares	(3.7)	Add back: own shares (unconditional awards)	53.6
Less: own shares (unconditional awards)	(53.6)	Add back: dilute potential of share options	0.8
Less: own shares (conditional awards)	(7.1)		
<b>Shares for basic EPS calculation</b>	<b>660.6</b>	<b>Shares for diluted EPS calculation</b>	<b>715.0</b>

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**Details of market briefing: Thursday, 26 February 2009**

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

Conference title      Henderson Group, 2008 full-year results market briefing  
 Chairperson          Andrew Formica

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

From:

United Kingdom      0500 5510 77 (free call)  
 Australia            1800 9889 41 (free call)  
 All other countries   +44 (0) 20 7162 0025 (this is not a free call)

Replay number

From:

United Kingdom      020 7031 4064 Access code: 823760  
 Australia            +61 (0) 2 8223 9748 Access code: 823760  
 (available from 26 February to 5 March 2009)

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 Australian Securities Exchange ('ASX'). Henderson Group is a constituent of the FTSE 250 and S&P/ASX 200 indices. Since 31 October 2008, the Group has been incorporated in Jersey and tax-resident in the Republic of Ireland.

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 £49.5 billion of AUM (as at 31 December 2008) and employs around 841 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 ('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

[www.henderson.com](http://www.henderson.com)

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